

The following Management's Discussion and Analysis (MD&A) of Pacific Energy Resources Ltd (the "Company" See Note 1 of the audited financial statements for a more detailed description) is for the year ended December 31, 2006. This information is current to March 31, 2007. The discussion and analysis of the operating results and financial position of the Company should be read in conjunction with the Company's audited Financial Statements and related Notes ("the Financial Statements") for the year ending December 31, 2006, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) (see Nature of Operations and Summary of Significant Accounting Policies – Notes 1 & 2 respectively of the audited financial statements).

Forward Looking Statements

Certain information in this MD&A contains forward-looking statements and assumptions, such as those related to results of operations and financial conditions, capital spending, financial sources, commodity prices, costs of production, results of acquisition projects, environmental risks, regulatory matters, and the magnitude of oil and gas reserves. By their nature, forward-looking statements are subject to numerous risks and uncertainties that could significantly affect anticipated results in the future and accordingly actual results may differ materially from those predicted. The forward-looking statements contained herein are as of March 31, 2007 and are subject to change after this date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Additional information relating to Pacific Energy Resources Ltd is on SEDAR at www.sedar.com.



Overview

Pacific Energy Resources Ltd is an independent oil and gas production and development company with operations both onshore and offshore California and Wyoming. The Company is focused on the acquisition, exploitation, and development of oil and gas properties. The strategy is two fold: first to develop its large inventory of proved undeveloped reserves and second to focus on acquiring assets with low risk exploitation and development potential (Proven Undeveloped Reserves) at below market multiples. The Company will supplement this low risk strategy from time to time by participating in high impact exploration projects.

2006 proved to be a transformational year for the Corporation. The Company executed on several previously announced plans for drilling and development as well as acquisition targets. These activities have significantly increased oil and gas production by nearly 76% (based on partial year of San Joaquin Basin and no Beta Field production included) while also contributing to building a robust portfolio of properties with significant proven undeveloped potential. In addition, the Company has invested significant resources in continuing to build a strong internal management team capable of further executing on the Company's long-term strategic goals including additional acquisitions and field redevelopment. The Company has laid out a 2007 goal of doubling overall production while adding additional reserves. Management believes that the Company is rapidly transitioning itself to becoming a strong independent producer of oil and gas.

On June 29, the Company acquired Carneros Energy of Bakersfield, California for an aggregate purchase price of \$27.1 million in cash. This acquisition added approximately 325 BOPD of light gravity crude oil along with an estimated 1.86 million barrels of Proved Reserve (1.49 net).

Further to its redevelopment strategy, the Company completed three new wells on its Wilmington Field property. Two of the wells were production wells and the 3rd well was completed as a water injection well. Well one averaged 47 BOPD while the second well averaged 57 BOPD for the first two months of production of 2006. The Company has allocated proceeds from debt and equity financings for further development wells throughout 2007.

Pursuant to its participation agreement with Shell of Houston, Texas and Wolverine Oil and Gas Corporation of Grand Rapids, MI, the Company successfully completed the first well of a planned two well program to a depth of 13,851 ft. Based on preliminary evaluation; the presence of hydrocarbons was detected. Management is highly encouraged by the results obtained thus far, and will commence drilling of the 2nd well in the mid-summer timeframe.

In November of 2006, the Company announced that it had closed the purchase and sale agreement for the acquisition of the offshore Beta Unit. The offshore Beta Oil Field is located in the San Pedro Area in federal waters approximately 10 miles offshore Long Beach, California. The purchase includes two production platforms and one facilities platform. In conjunction with the purchase of the Beta Unit, the Company has raised approximately \$150 million consisting of approximately \$85 million in equity financing and \$65 million in senior credit (See Note 7 of the audited financial statements). On March 8, 2007 the Company announced that it has received approval from the Minerals Management Service, Pacific OCS Regional Office to become the Unit Operator of the Beta Unit. This approval represents a significant milestone for the Company, as it was the final event necessary to close the transaction for the undivided 100% record title interest in the Beta Unit.



While the Company continues to pursue strategic acquisition targets, it is confident that it can achieve substantial growth in production and reserves for the next several years through the continued development and exploitation of its current asset portfolio.

Overall Performance

The Company is highly encouraged by the financial results obtained for 2006 as it represents continued year over year growth in total revenue and total assets as well as continued focus on operational efficiency. The Company achieved an 55% increase in total oil and gas revenue with a small decrease in production costs as a percentage of oil & gas revenue from 33.7% to 32.9%. The increase in total revenue was mainly due to the acquisition of Carneros Energy in the middle of the year, redevelopment of the Wilmington Field, and sustained commodity prices. General & administrative expenses decreased slightly from 19.8% to 18.4% as a percentage of total revenue despite significant development and acquisition activity occurring during the year. Management believes this represents successful utilization of its people and knowledge assets. Total operating expenses increased 132% which resulted in a net loss of \$12,023,741 for the year on a total basis with a \$0.20 loss on a per share basis. While this represents a 620% increase year over year, it is important to note that 37% of the total operating expenses came from interest expense. This line item collectively represents a 1,700% increase year over year. While this represents a significant increase in expense, management believes that the deployment of the underlying principle tied to this expense will provide significant shareholder return during 2007 and beyond. Management would also like to point to the Shareholder Communications line item. Spending in this area increased more than 1,000%. The Company recognizes the need to provide adequate communication to the investor community and is continuing to explore ways to more effectively inform its current and prospective shareholders. With the acquisition and development activity that occurred in 2006 coupled with the debt and equity financings (see Results of Operations and New Debt sections respectively), the Company is focusing considerable internal effort on achieving operational excellence that will drive the organization towards profitability and realize its goal of becoming a significant independent producer of oil and gas.

Selected Financial Data

	As at and for the year ended December 31, 2006		
(\$)	2006	2005	2004
Total oil and gas revenue	11,462,870	7,376,314	1,175,914
Production expenses per BOE	14.82	14.93	18.44
Cash at year end*	14,999,943	4,409,014	130,559
Total assets	156,976,735	22,488,559	4,558,999
Earnings (loss) per share	(0.20)	(0.05)	(0.02)

*Does not include Cash - Restricted



The Company closed out 2006 with an increase in total assets of 598% and a healthy unrestricted cash increase of 240% with an increase in the total cash balance (Cash & Cash – Restricted combined) of more than 1,200%. As previously mentioned, the Company believes that the acquisition of the Beta Unit has significantly transformed the organization. A significant portion of the cash on hand will be used to fully exploit the potential of this asset. With this in mind, the Company believes that it is well positioned in 2007 to achieve further top line growth and continue to decrease production costs.

Reserve Data Summary (California Onshore Assets)

The following reserve estimates and discounted present value estimates (PV10%) are for a constant price case. A detailed breakdown of these estimates by product category (light, medium, heavy oil, NGL and natural gas), by constant price and forecast price case and present value at different discount rates is filed under Form 51-101F1

Reserve Estimates as of January 1, 2007*				
	Gas BCF	Oil MMBO	MMBOE	PV10% \$MM
Proved Developed Producing	0.768	4.736	4.864	52.94
Proved Developed Non Producing	0.074	0.046	0.058	1.02
Proved Undeveloped	-	10.009	10.009	85.19
Total Proved	0.842	14.791	14.931	139.15
Probable	0.807	10.300	10.434	106.43
Possible	3.102	4.840	5.357	49.35
Proved plus Probable plus Possible	4.751	29.931	30.723	294.93

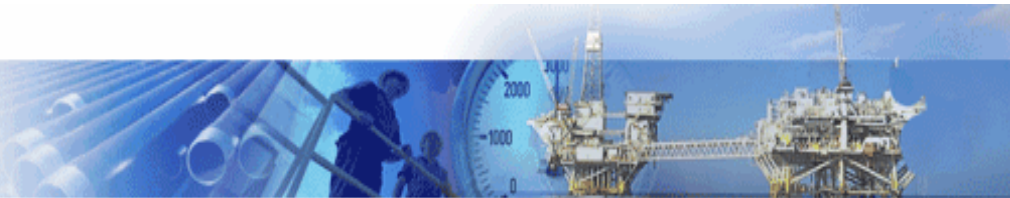
*Los Angeles Basin estimates by DeGolyer & McNauton; San Joaquin Basin estimates by Netherland, Sewell & Associates, Inc.

RESULTS OF OPERATIONS

California Onshore San Joaquin Basin

During 2005, the Company reviewed information relating to a number of oil & gas properties in California. The results of this review and analysis yielded the acquisition of Carneros Energy of Bakersfield, California.

On June 29, 2006, the Company acquired Carneros Energy for an aggregate purchase price of \$27.1 million in cash. This acquisition added approximately 325 BOPD of light gravity crude oil along with an estimated 1.86 million barrels of Proved Reserve (1.49 net). Carneros has approximately 90 producing wells and 10,000 acre gross undeveloped leasehold. The average working interest is approximately 99.5% with an 82.5% net royalty interest. Laurus Master Fund, LTD of New York assisted in the financing of approximately \$21.2 million by way of a secured loan and warrants (See New Debt section below for further detail) and equity in the amount of \$6.125 Million (Warrants were issued in lieu of common stock). In addition, the Company has a set of 3-D seismic surveys with 8 drilling opportunities identified. The Company's strategy with regard to its exploration assets in the Basin is to pursue farm-in arrangements. See Notes 3, 7, & 14 of the audited financial statements for additional information. The Company plans to initiate infill drilling in the San Joaquin basin by the end of May 2007.



Quarterly Production Volumes (BOE)

Year	Q1	Q2	Q3	Q4	Total
2006			31,982	29,808	61,790

California Onshore Los Angeles Basin

The Company is the lessee and operator of onshore fields located in the Los Angeles Basin in southern California that currently produce approximately 525 barrels of oil and gas equivalent per day (“boe/d”). The majority of the Company’s productive acreage is contained within the giant Wilmington Oil Field located in the city of Long Beach, California. In addition, the Company produces oil & gas from Long Beach Oil Field, Rosecrans Oil Field and Rosecrans East Oil Field. The quarterly production results from these fields for the last three years are as follows:

Quarterly Production Volumes (BOE)

Year	Q1	Q2	Q3	Q4	Total
2006	48,076	48,875	47,354	51,318	195,623
2005*	18,433	42,280	42,087	43,698	146,498
2004*	9,283	9,480	9,340	9,329	37,432

* Data for oil production only in bbl

The Company has a development plan for these properties. The plan calls for drilling of a total of 72 wells (67 Producers and 5 injectors). The drilling of these wells is expected to increase production from the present 525 BOEPD to a peak of 3630 boe/d. The California Division of Oil & Gas and the City of Long Beach have already permitted five of these wells. The Company completed 3 of these wells on its Wilmington Field property in 2006 as a part of this plan. Two of the wells were production wells and the third well was completed as a water injection well. Well One (PERL-1) has averaged 47 BOPD while well Two (PERL-2) has averaged 57 BOPD for the first two months of production. In addition, PERL1-I is injecting approximately 650 barrels of water per day. As the impact of this injection well is felt, the Company expects to see a beneficial impact on overall performance of the field. The Company has allocated proceeds from debt and equity financings for further development wells throughout 2007 and has drilling rigs lined up to continue drilling activity (See New Debt section below for further detail on the financings).



Wyoming Green River Basin Prospect

The Company on August 30, 2005 entered into a Participation Agreement with Shell of Houston, Texas and Wolverine Gas & Oil Corporation of Grand Rapids, Michigan. This agreement entitles the group to explore and develop oil & gas interests in a 99,000 acre area known as the Pacific Creek prospect, located in the Green River Basin of Wyoming (Freemont, Sweetwater, and Sublette counties). The Pacific Creek prospect has structures identified by a 2-D seismic survey, which has been further defined by a \$4 Million 3-D seismic survey over 130 square miles, funded by the Company in 2005. Based on the results obtained by the 3-D seismic survey, the Company successfully completed the first well of a planned two well program to a depth of 13,851 ft. Based on preliminary evaluation; the presence of hydrocarbons was detected. During drilling operations, connection gas was as high as 6200 units with a gas flare on bottoms-up as high as 20 feet for 10-15 minutes. On February 16th, 2007 circulated bottoms-up prior to running 4 ½" production casing and flared gas for 15 to 20 minutes with gas flare as high as 30 feet. Management is highly encouraged by the results obtained thus far, and will commence drilling of the 2nd well in the mid-summer timeframe. Upon completion of the second well, the Company will have earned a 40% working interest in 85% of the approximately 99, 000 acre lease and a 28% working interest in the remaining 15% of the Wyoming Green River Basin. The Jonah field, located 20 miles NW of the Pacific Creek prospect is an analogue for the strike-slip traps in the west part of the Pacific Creek acreage and has an estimated 10.5 trillion cubic feet of gas

Acquisition of Offshore Beta Field

Since early 2005, the Company has been negotiating with multiple entities including majority owner and operator Aera Energy LLC regarding a sale of the Beta Unit, offshore California. The Company closed on the transactions contemplated under the multiple purchase and sale agreements between the Corporation, as Buyer, and Aera Energy LLC ("Aera"), SWEPI LP ("SWEPI"), and Noble Energy, Inc. ("Noble") as Sellers. The closings with Aera and SWEPI occurred on Tuesday, March 6, 2007. The closing with Noble occurred on Wednesday, March 7, 2007. By virtue of these transactions, the Corporation has acquired an undivided 100% record title interest in the Beta Unit. The effective date of the purchase and sale is November 1st, 2006.

The acquisition was financed by debt and equity. The Company has entered into a Senior Credit Facility with Goldman, Sachs, & Co. and Silver Point Capital with an initial draw of \$65,000,000 along with certain warrants. The Facility is secured by both onshore and offshore assets. In addition, the Company has closed two (2) equity private placements in the amount of \$63,874,985.55 and \$10,300,000 respectively (See New Debt section for further detail). As of March 31, 2007, all funds have been disbursed out of escrow reflecting that all obligations have been met. The Company has raised approximately \$150,000,000 associated with this transaction. Approximately \$90,000,000 has been used for the purchase of a Supplemental Bond to secure the future abandonment liability. The purchase price for the assets was \$1. The remaining funds have been placed in a restricted cash account for specific development projects of both onshore and offshore assets. Netherland, Sewell & Associates, Inc. (NSA), an independent consulting firm hired by the Company, has estimated the following reserves and present values (PV10%) for the Beta Unit as of Jan 1, 2007:



Beta Unit Reserve Estimates as of January 1, 2007*					PV 10% values if abandonment costs are excluded from the NSA estimates and accounted for by the \$90 million, interest bearing, secured, Treasury Bill
	Gas BCF	Oil MMBO	MMBOE	PV10% \$MM	
Proved Developed Producing	0.699	2.967	3.083	(3.756)	30.02
Proved Developed Non Producing	-	-	-	-	-
Proved Undeveloped	2.714	16.928	17.380	171.275	170.76
Total Proved	3.413	19.895	20.463	167.519	200.78
Probable	2.057	11.732	12.075	90.521	75.15
Possible	5.065	32.054	32.898	91.995	81.46
Proved plus Probable plus Possible	10.535	63.680	65.436	350.035	357.39

*It should be noted that since it is required by the regulations, NSA has accounted for the field abandonment costs in their estimate of the value of the Beta Unit even though the Company has an interest bearing U.S. Treasury Bill for US\$90 Million held in an escrow account to pay for the abandonment costs. The table above shows the PV10% values with the abandonment costs not included in the NSA estimates assuming they are accounted for by the existing \$90 Million secured Treasury bill.

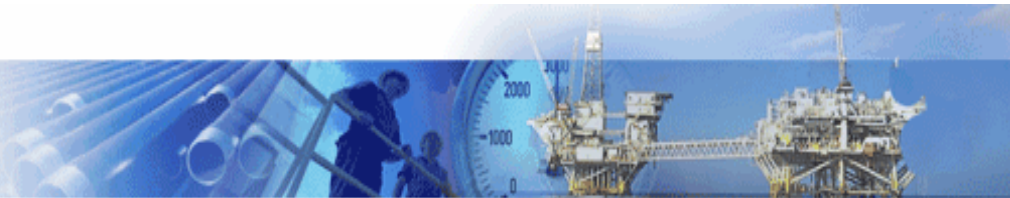
The Beta Oil Field is located in the San Pedro Bay Area, in Federal waters, ten miles offshore Long Beach, California. The leases involved are POCS 300, 3001 and 306. A complex of two production platforms (Eureka and Ellen) and a facilities platform (Elly) handle production from these leases. The Beta Field was discovered in 1976. Aera Energy LLC and its predecessor companies have operated and maintained Platforms Eureka, Ellen and Elly since production started in 1981 from Platform Ellen. Production began on Platform Eureka in 1985, and peak production from the Beta Field of 20,800 barrels of oil per day was reached in 1986. Platform Edith, a third producing platform also in the Beta Field, is neither owned nor operated by Aera and was not included in the purchase.

Platform Eureka was shut down in 1999 due to a leak in the product shipment pipeline, at which time it was producing over 4,400 barrels of oil per day. Platform Ellen is currently producing 2, 100 barrels of oil per day. The estimated original oil-in-place for the Beta Field is 590,000,000 barrels of oil. Cumulative production through 2005 for the Beta Field is estimated at 96,000,000 barrels of oil or approximately 16% of the original oil in place.

Management has plans to aggressively develop the Beta asset with expectations of substantially increasing production from platform Ellen during 2007 from approximately 2100 BOPD to greater than 2700 BOPD and expectations to bring Platform Eureka back on line sometime in early 2008.

Other Opportunities

The Company continues to actively evaluate and pursue potential producing reserve acquisitions in its strategic areas of operation.



Capital Resources and Liquidity

Under the present environment in the energy industry and the strong prices for oil and gas, the Company is in an excellent position to raise capital at reasonable rates from outside sources as well as have enough cash from the existing operations to meet any foreseeable capital needs. The Company expects to continue acquisitions of desirable oil and gas properties and hence may need additional capital.

New Debt

In July, the Company assumed new debt from Laurus Master Fund, Ltd out of New York for an aggregate amount of \$21.2 million. The loan is secured by the Carneros Energy assets (See Notes 3, 7, & 14 of the audited financial statements for additional information).

In December, the Company announced a Senior Secured Credit Facility for \$65 million from Goldman, Sachs, & Co. of NY, NY and Silver Point Capital of Greenwich, CT. Terms of the debt are tied to specific and approved development activities for both offshore and onshore assets (See Notes 7 & 17 of the audited financial statements for additional information).

Warrants Exercised

Warrants were exercised in 2006 by Laurus Capital Management, LLC. The terms of the exercised warrants provided that 3,714,286 shares of common stock were issued based upon full payment of the exercise price. The exercise prices were \$0.8857 for 1,857,143 shares and \$1.0647 for 1,857,143 shares. Payment in the amount of \$3,622,171.71 was received by the Company. (See Notes 15 & 16 in the audited financial statements for additional information).

Cash & Cash Equivalents

As of December 31, 2006, the Company had an unrestricted cash balance of \$14,999,943 which represents an increase of nearly 240% year over year. In addition, the Company had a substantial increase in its restricted cash balance of nearly 2,600% (See Note 7 of the audited financial statements for a better understanding of the sources of the cash increase and restrictions of use).

The Company continues to evaluate options for raising additional funds as needed for both development and acquisition related activities. Based on the money raised in 2006, the Company is strongly funded to execute on its planned offshore and onshore development projects.

Future Dividends

The Company does not anticipate the payment of dividends in the future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

As of December 31, 2006 the Company owed \$6,583 (2005 - \$54,786) to various related parties for amounts incurred by the Company on behalf of the related parties. During 2006 the Company converted approximately \$216,000 of employee advances to payroll costs. During the year, the Company incurred legal costs of approximately \$301,000 with a Company owned and operated by a Director of the Company.

At December 31, 2006 the balance owing to this related party is approximately \$43,000. During 2006 the Company paid an overriding royalty on its Wilmington property of approximately \$188,000 to an entity owned by an employee.



Changes in Accounting Policy

The Company did not have changes in accounting policies in 2006 that would produce a material impact on the financial statements. See Note 2 of the audited financial statements for additional information related to the Company's significant accounting policies.

Financial and Other Instruments

The discussion in this section provides information about financial instruments the Company uses to manage commodity price volatility. To the extent the Company borrows amounts under its credit facilities; it is subject to interest rate risk because such amounts bear interest at variable rates. At March 31, 2007, approximately \$86 million of indebtedness was outstanding under the Company's various credit facilities.

The Company's financial assets and liabilities consist of cash, short-term investments, receivables, accounts payables, and accrued liabilities. The Company has placed its cash and cash equivalents in liquid bank deposits, which provide a variable rate of interest. Due to the historical volatility of crude oil and natural gas prices, as well as credit agreement requirements, the Company has implemented a hedge aimed at reducing the variability of the prices it receives on a portion of its production and providing a calculable minimum revenue stream. Currently, the Company uses fixed price swaps for hedging commodity prices. All contracts are settled with cash and do not require the delivery of a physical quantity to satisfy settlement. While this hedging strategy may result in reduced revenues in times of higher oil prices, management believes that some degree of stabilization of prices and protection afforded by providing a revenue floor is beneficial. Current Hedging, prices, and volumes are described as follows:

Crude Oil			
Period	Volume (Bbl/period)	Type	Strike Price (US\$/bbl)
January 1, 2007 - November 30, 2007	118,429	Swap	52.87
December 1, 2007 - November 30, 2008	120,558	Swap	55.51
December 1, 2008 - November 30, 2009	112,374	Swap	55.13
December 1, 2009 - November 30, 2010	105,752	Swap	54.35

See Note 12 of the audited financial statements for additional information.

Outstanding Share Data

In December, the Company entered into an equity private placement in the amount of \$63,874,985.55 of which \$51,348,735.55 were placed in Canada through D&D Securities with Octagon Capital Corporation acting as placement agents and \$12,526,250 was placed in the United States with Energy Capital Solutions as the placement agent. In February, the Company completed an additional private equity placement in the amount of \$9.7 million with D&D Securities Company of Canada and Octagon Capital Corporation acting as agent. Accordingly, the Company issued 8,812,129 subscription receipts at CAD\$1.30 per subscription receipt and 881,212 broker warrants. See Notes 15 & 16 of the audited financial statements for additional information related to share data and fully diluted estimates.



Selected Quarterly Information

The following tables show revenue and income data of the most recent eight quarters Company:

2006	Q1	Q2	Q3	Q4	Total
Total Oil & Gas Revenues	2,056,166	2,333,949	3,803,049	3,269,706	11,462,870
Net Income (loss)	(133,266)	(492,180)	(899,723)	(10,498,572)	(12,023,741)
2005	Q1	Q2	Q3	Q4	Total
Total Revenues	828,124	1,964,367	2,348,660	2,235,163	7,376,314
Net Income (loss)	98,088	470,668	168,642	(2,408,282)	(1,670,884)

Subsequent Events

All subsequent events have been fully described in the text above. See Note 17 of the audited financial statements for further detail.

Business Risks & Risk Management

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil reserves. The Company attempts to reduce these risks through the combination of experienced personnel with local knowledge and careful evaluation. Commodity price fluctuations can pose a risk to the Company, and management monitors this on an ongoing basis. External factors beyond the Company's control may affect the marketability of the oil and gas produced. The Company has selected appropriate personnel to monitor field operations and has automated some field information where possible, so that difficulties and operational issues can be assessed and dealt with on a timely basis, and so that production can be maximized as much as possible.

Oil and gas exploration, development, and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and spills, each of which could result in damage to wells, production facilities, other property and environment, or in personal injury. In accordance with industry practice, the Company insures against most of these risks (although not all such risks are insurable). The Company maintains liability insurance in an amount that it considers consistent with industry practice; although the nature of these risks is such that liabilities could potentially exceed policy limits. The Company also reduces risk by operating all of its current properties; as such it has control over the quality of work and performance.

The Company anticipates making substantial capital expenditures in the future for exploration, development and acquisition, and production of oil and gas reserves. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future development programs. There can be no assurance that debt or equity financing will be available. The Company mitigates this risk by monitoring expenditures, operations, and results of operations in order to manage



capital effectively. In addition, the Company has significant commitments and contingencies that may impact its ability to grow in the future (See Note 13 of the audited financial statements).

Future Prospects

Management is optimistic about the growth potential of the Company. The Company has a large number of proven undeveloped locations in inventory to be drilled. The prospect of returning Platform Eureka to production should add substantial growth in reserves and production in 2008 and beyond. The Company has a significant acreage position with various attractive exploration targets. Although there are some mechanical/operational challenges inherent in areas of its operations, with proper risk management and careful evaluation, management believes that the Company will continue to achieve multi-digit growth.

Internal Disclosure Controls

The Company places significant diligence on the appropriate capture and reporting of financial information as it flows through the various functions of the organization. It further recognizes the need for timeliness with respect to management reporting to the appropriate internal personnel including the Chief Executive Officer and the Chief Financial Officer among others, but it also recognizes the importance of effectively communicating relevant information to the investor community. With this in mind, the Company has designed internal controls specifically aimed at providing a reasonable level of assurance that material transactions are reported, accounted for properly, and effectively communicated to key decision makers within the organization. While no internal control system will prevent intentional omissions or fraud, Management believes it has designed a system appropriate for the current level of complexity it is managing. In addition, the Company is cognizant of the significant acquisition activity that has transpired during 2006. While it believes that the current internal disclosure controls are adequate even with these additional transactions, Management is focusing considerable attention to further strengthening the segregation of duties along with the overall framework of internal control over financial reporting.

In accordance with Multilateral Instrument 52-109, the Company's Chief Executive and Chief Financial Officers are required to sign individual Certifications of the Annual Filings. These have been filed separately from the Management Discussion and Analysis.



MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in Canada is the responsibility of management. Management is responsible for the integrity and objectivity of the financial statements. Where necessary, the financial statements include estimates, which are based on management's informed judgments. Management has established systems of internal control, which are designed to provide reasonable assurance those assets, are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors has reviewed the financial statements with management and the auditors and has approved the financial statements.

MEYERS NORRIS PENNY LLP is independent auditors appointed by Pacific Energy Resources Ltd.'s shareholders. The auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an opinion on the fairness of the presentation of the financial statements in accordance with Canadian generally accepted accounting principles.



Darren Katic
President

