

PACIFIC ENERGY RESOURCES LTD.

Consolidated Financial Statements

March 31, 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)

	March 31, 2005 <i>(unaudited)</i>	December 31, 2004 <i>(audited)</i>
	\$	\$
A S S E T S		
Current Assets		
Cash	849,020	130,559
Cash - restricted	92,191	22,622
Amounts receivable	707,645	210,284
Due from joint venture participants	-	551,509
Prepays and other current assets	284,795	81,723
Short-term investments	-	62,500
	1,933,651	1,059,197
Deferred charges	630,914	80,948
Petroleum and natural gas interests	8,385,120	1,594,963
Performance bonds	250,035	-
	11,199,720	2,735,108
L I A B I L I T I E S		
Current Liabilities		
Accounts payable and accrued liabilities	1,202,097	526,129
Due to related parties	129,486	229,486
Note payable	2,256,967	197,500
Due to joint venture participant	-	27,943
Other liabilities	-	2,985
	3,588,550	984,043
Convertible debentures	1,410,685	1,039,225
Other liabilities	866,182	-
	5,865,417	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)	5,378	10,510,883
Paid up capital	14,765,034	-
Convertible debentures	133,822	63,219
Deficit	(9,569,931)	(9,862,262)
	5,334,303	711,840
	11,119,720	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 March 31,	
	2005	2004
	\$	\$
Revenues		
Gross oil and gas production revenue	1,493,413	275,229
Production expenses	(572,747)	(165,137)
Depletion	(80,072)	(17,014)
Royalty payments	(26,012)	-
Net oil and gas income	814,582	93,078
Other revenue	6,149	-
	<u>820,731</u>	<u>93,078</u>
Expenses		
Administrative staff	211,706	-
Accretion on convertible debentures	10,854	-
Consultants	-	20,020
Interest	89,391	4,795
Legal and accounting	86,353	21,328
Office and administration	23,289	11,445
Operating overhead	-	10,683
Licenses and permits	-	2,337
Shareholder communications	15,916	809
Travel and accommodation	56,076	-
Trust and filing	34,815	1,974
	<u>528,400</u>	<u>73,391</u>
Income before other item	292,331	19,687
Gain on sale of assets	-	93,077
General exploration	-	(5,004)
	<u>292,331</u>	<u>107,760</u>
Net income for the period	292,331	107,760
Deficit - beginning of period	(9,862,262)	(9,032,325)
Deficit - end of period	<u>(9,569,931)</u>	<u>8,924,565</u>
Net income (loss) per share	<u>\$</u>	<u>\$</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 March 31,	
	2005	2004
	\$	\$
Cash Provided by (Used For):		
Operating Activities		
Net income (loss) for the period	292,331	107,760
Adjustment for items not involving cash:		
Gain on sale of assets	-	(93,077)
Depletion	80,072	17,014
Accretion on convertible debenture	10,854	-
Cash - restricted	(426)	-
	<u>382,831</u>	<u>31,697</u>
Net changes in non-cash working capital items:		
Amounts receivable	(213,133)	(133)
Accounts payable & accrued liabilities	(101,024)	(144,126)
Prepays and other current assets	44,444	(15,850)
Due to related parties	(100,000)	(105,000)
Note payable	358,670	-
Due from joint venture	(211,594)	-
	<u>160,194</u>	<u>(233,412)</u>
Investing Activities		
Proceeds on sale of assets	(35)	93,031
Petroleum and natural gas properties	(83,554)	(35,011)
Deferred charges	(67,560)	(4,978)
	<u>(151,149)</u>	<u>53,042</u>
Cash acquired on acquisition of Petrocal (note 3)	<u>626,526</u>	<u>-</u>
Financing Activities		
Paid up capital	(348,319)	-
Cash received for convertible debenture issued	<u>431,209</u>	<u>200,000</u>
	<u>82,890</u>	<u>200,000</u>
Net cash provided (used) during the period	718,461	19,630
Cash - beginning of the period	<u>130,559</u>	<u>77,437</u>
Cash - end of the period	<u>849,020</u>	<u>97,067</u>

See notes to the financial statements

PACIFIC ENERGY RESOURCES LTD.
Notes to the Interim Consolidated Financial Statements
For the three month period ended March 31, 2005
(Unaudited - see Notice to Reader)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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 and business activities and has therefore relied 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. 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 three months ended March 31, 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	39,999,995	5,378	4,254,151	4,259,529
Balance - March 31, 2005	<u>53,785,651</u>	<u>5,378</u>	<u>14,765,034</u>	<u>14,770,412</u>

⁽¹⁾ net of share issue costs of \$113,917, inclusive of a finder's fee of 290,000 common shares valued at \$28,551

⁽²⁾ net of share issue costs of \$28,551 for the issuance of 66,667 shares as a finder's fee

b) Summary of options outstanding at March 31, 2005: Nil.

c) Summary of share purchase warrants are outstanding at March 31, 2005:

	Exercise Price	Number Outstanding	Expiry Date
	\$		
Balance December 31, 2002		-	
	0.3	666,666	June 17, 2005
	0.45	888,889	October 3, 2005
Balance December 31, 2003		*1,555,555	
	0.6	*666,667	March 15, 2006
	0.6	666,667	October 19, 2006
Balance December 31, 2004 and March 31, 2005		<u>2,888,889</u>	

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