Canadian Overseas Petroleum Limited
Unaudited Condensed Interim Consolidated Financial Statements
As at June 30, 2019 and for the three and six month periods ended June 30, 2019 and 2018

Management's Responsibility for Consolidated Financial Statements

The information provided in these unaudited condensed interim consolidated financial statements is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

The audit committee has reviewed the unaudited condensed interim consolidated financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the unaudited consolidated interim financial statements as presented.

Signed "Arthur S. Millholland"
Arthur S. Millholland
President and Chief Executive Officer
August 13, 2019

Signed "Aleksandra Owad"
Aleksandra Owad
Chief Financial Officer
August 13, 2019

Canadian Overseas Petroleum Limited
Condensed Consolidated Statements of Financial Position (unaudited)
(in thousands of United States dollars)

As at	**June 30, 2019**	December 31, 2018
Assets		
Current		
Cash and cash equivalents *(note 4)*	**$ 673**	$ 1,856
Accounts receivable	**26**	79
Prepaid expenses	**130**	150
Deposits	**44**	44
	873	2,129
Office equipment	**41**	52
Long-term receivable	**239**	238
	$ 1,153	$ 2,419
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 883**	$ 336
	883	336
Shareholders' Equity		
Share capital *(note 5(a))*	**137,507**	136,942
Warrants (*note 5(b))*	**153**	330
Contributed capital reserve (*note 5(c))*	**50,394**	50,394
Deficit	**(185,728)**	(183,511)
Accumulated other comprehensive loss	**(2,056)**	(2,072)
	270	2,083
	$ 1,153	$ 2,419

Nature of operations *(note 1)*
Going concern *(note 2)*
Commitments and contractual obligations *(note 6)*

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Canadian Overseas Petroleum Limited

Condensed Consolidated Statements of Comprehensive Loss (unaudited)

(in thousands of United States dollars, except per share amounts)

	Three months ended June 30, 2019	Three months ended June 30, 2018 Restated	**Six months ended June 30, 2019**	Six months ended June 30, 2018 Restated
Operations				
Pre-license costs	**$ -**	$ -	**$ -**	$ (321)
Administrative	**(1,021)**	(1,197)	**(2,212)**	(2,451)
Depreciation	**(4)**	(5)	**(10)**	(10)
	(1,025)	(1,202)	**(2,222)**	(2,782)
Finance income and costs				
Interest income	**1**	6	**2**	6
Foreign exchange (loss)/gain	**(67)**	(149)	**4**	(98)
	(66)	(143)	**6**	(92)
Loss before investments in joint ventures	**(1,091)**	(1,345)	**(2,216)**	(2,874)
Loss on investment in joint venture *(note 3)*	**-**	(13)	**(1)**	(13)
Net loss	**(1,091)**	(1,358)	**(2,217)**	(2,887)
Gain/(loss) on translation of foreign subsidiaries	**59**	183	**16**	78
Comprehensive loss	**$ (1,032)**	$ (1,175)	**$ (2,201)**	$ (2,809)
Loss per share (basic and diluted)	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**2,609,134,881**	1,523,139,350	**2,548,281,745**	1,523,139,350

See accompanying notes to the condensed consolidated financial statements.

Canadian Overseas Petroleum Limited

Condensed Consolidated Statements of Changes in Equity (unaudited)

(in thousands of United States dollars)

	Share Capital	Warrants	Contributed Capital Reserve	Deficit	Accumulated Other Comprehensive Loss[1]	Total Equity
Balance at December 31, 2017	**$ 133,650**	**$ -**	**$ 50,394**	**$ (178,595)**	**$ (2,238)**	**$ 3,211**
Comprehensive loss for the period	-	-	-	(2,887)	78	(2,809)
Reclassification of Fair Value of Broker's Warrants *(note 2)*	-	227	-	-	-	227
Balance at June 30, 2018, restated	**$ 133,650**	**$ 227**	**$ 50,394**	**$ (181,482)**	**$ (2,160)**	**$ 629**
Balance at December 31, 2018	**$ 136,942**	**$ 330**	**$ 50,394**	**$ (183,511)**	**$ (2,072)**	**$ 2,083**
Issued further to Offerings, net of issue cost	**386**	**-**	**-**	**-**	**-**	**386**
Fair value of Broker's warrants issued further to Offering	**-**	**2**	**-**	**-**	**-**	**2**
Fair value of Broker's warrants that expired unexercised	**179**	**(179)**	**-**	**-**	**-**	**-**
Comprehensive loss for the period	**-**	**-**	**-**	**(2,217)**	**16**	**(2,201)**
Balance at June 30, 2019	**$ 137,507**	**$ 153**	**$ 50,394**	**$ (185,728)**	**$ (2,056)**	**$ 270**

[1] As at June 30, 2019 and 2018, the accumulated other comprehensive loss balance consists of unrealized foreign exchange on translation of foreign subsidiaries.

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Canadian Overseas Petroleum Limited
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands of United States dollars)

For the six months ended June 30	2019	2018 Restated
Cash Used In Operating Activities		
Net loss	**$ (2,217)**	$ (2,887)
Interest income	**(2)**	(6)
Add (deduct) non-cash items:		
Depreciation	**10**	10
Unrealized foreign exchange (gain)/loss	**(12)**	151
Loss on investment in joint venture *(note 3)*	**1**	13
	(2,220)	(2,719)
Net change in non-cash working capital *(note 8)*	**446**	478
	(1,774)	(2,241)
Cash Provided by Financing Activities		
Issuance of common shares, net of issue costs	**388**	-
Net change in non-cash working capital *(note 8)*	**174**	-
	562	-
Cash Provided by Investing Activities		
Additions to office equipment	**-**	(4)
Additions to investment in joint venture *(note 3)*	**(1)**	(13)
Interest income	**2**	6
	1	(11)
Decrease in cash and cash equivalents during the period	**(1,211)**	(2,252)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	**28**	(72)
Cash and cash equivalents, beginning of period	**1,856**	4,060
Cash and cash equivalents, end of period	**$ 673**	$ 1,736

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Canadian Overseas Petroleum Limited ("COPL" or the "Company"), is a widely-held publicly traded company incorporated and domiciled in Canada. The Company's common shares are traded on the London Stock Exchange in the UK under the symbol "COPL" and Canadian Securities Exchange (the "CSE") in Canada under the symbol "XOP"; the Company moved its listing from TSX Venture Exchange to the CSE on October 31, 2018. The Company's registered office is in Calgary, Alberta at 400, 444 – 7th Avenue S.W.

COPL and its subsidiaries are involved in the identification, acquisition, exploration and development of oil and natural gas offshore reserves. As at June 30, 2019, the Company has the following subsidiaries, all of which are wholly-owned directly or indirectly:

- COPL Technical Services Limited, which is involved in providing technical and administrative services to the COPL group of companies;
- Canadian Overseas Petroleum (UK) Limited ("COPL UK"), incorporated in the United Kingdom ("UK") provides technical and projects related services to the COPL group of companies;
- Canadian Overseas Petroleum (Bermuda Holdings) Limited, Canadian Overseas Petroleum (Bermuda) Limited and Canadian Overseas Petroleum (Namibia) Limited, which were incorporated to conduct operations in Africa.
- Canadian Overseas Petroleum (Ontario) Limited ("COPL Ontario") which was incorporated on December 15, 2017 for the purpose of an anticipated operation in Ontario, Canada; however, the acquisition project was not successful.

The Company, along with an unrelated company, Shoreline Energy International Limited, incorporated Shoreline Canoverseas Petroleum Development Corporation Limited ("ShoreCan") in October 2014 in Bermuda to focus on acquisitions of upstream oil and gas exploration, development and producing assets in Africa. Both partners hold a 50% interest in the joint venture.

2. BASIS OF PREPARATION AND GOING CONCERN

Basis of Preparation and Compliance

The Company's unaudited condensed interim consolidated financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" following acceptable accounting policies under International Financial Reporting Standards ("IFRS") and are reported in thousands of United States dollars ("$"). The Company's financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2018 and 2017, which outline the Company's significant accounting policies in Note 3 thereto, which have been applied consistently in these financial statements, with the exception of the adoption of IFRS 16 – "Leases" as described below, as well as the Company's critical accounting judgments and key sources of estimation uncertainty which are also set out in Note 3 thereto.

The financial statements were authorized for issue by the Company's Board of Directors on August 13, 2019.

Going Concern

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Going Concern (continued)

Currently, the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects and contracts that will require substantial additional financing before they are able to generate positive operating cash flows. Accordingly, the Company's continued successful operations are dependent on its ability to obtain additional financing. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company. The Company currently does not have sufficient cash flows to cover forecasted administrative expenses for 2019. With no assurance that financing will be obtained in 2019, there is material uncertainty that casts substantial doubt on the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Restated Quarterly Comparatives

In connection with UK share placings, the Company issues Broker's Warrants (the "Warrants"). The value of the Warrants is determined using Black Scholes and in years prior to 2018 was recorded as a derivative liability. In the fourth quarter of 2018, the Company reclassified (effective January 1, 2018) the derivative liability related to the Warrants to equity as the Warrants were issued in exchange for services and should be accounted for under IFRS 2. The 2017 amounts have not been restated as the amounts are not material. Under the previous classification, the derivative liability was revalued each reporting period through the income statement as a derivative gain or loss. The change in accounting treatment results in an impact to the Statement of Comprehensive Loss to account for the derivative gain (a portion of which was attributable to foreign exchange).

The impact of the Warrants reclassification on 2018 quarterly statements of loss is as follows:

Three months ended ($ 000's)	March 31, 2018 Reported	**March 31, 2018 Restated**	June 30, 2018 Reported	**June 30, 2018 Restated**	September 30, 2018 Reported	**September 30, 2018 Restated**
Pre-license costs	$ 321	**$ 321**	$ -	**$ -**	$ 130	**$ 130**
Administrative expenses	1,254	**1,254**	1,197	**1,197**	1,272	**1,272**
Depreciation	5	**5**	5	**5**	5	**5**
Interest income	-	**-**	(6)	**(6)**	(3)	**(3)**
Derivative gain	(94)	**-**	(34)	**-**	(130)	**-**
Foreign exchange loss / (gain)	(42)	**(51)**	139	**149**	(14)	**(14)**
Loss on investment in joint venture	-	**-**	13	**13**	-	**-**
Net loss	1,444	**1,529**	1,314	**1,358**	1,260	**1,390**

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Restated Quarterly Comparatives (continued)

The impact of the Warrants reclassification on financial position as at 2018 quarter-ends is as follows:

As at **($ 000's)**	March 31, 2018 Reported	**March 31, 2018 Restated**	June 30, 2018 Reported	**June 30, 2018 Restated**	September 30, 2018 Reported	**September 30, 2018 Restated**
Total Assets	$ 3,642	**$ 3,642**	$ 2,223	**$ 2,223**	$ 3,970	**$ 3,970**
Current liabilities	1,838	**1,838**	1,594	**1,594**	1,300	**1,300**
Derivative liability	142	**-**	98	**-**	71	**-**
Shareholders' Equity:						
Share capital	133,650	**133,650**	133,650	**133,650**	136,948	**136,948**
Warrants	-	**227**	-	**227**	-	**330**
Contributed capital reserve	50,394	**50,394**	50,394	**50,394**	50,394	**50,394**
Deficit	(180,039)	**(180,124)**	(181,353)	**(181,482)**	(182,613)	**(182,872)**
Accumulated other comprehensive loss	(2,343)	**(2,343)**	(2,160)	**(2,160)**	(2,130)	**(2,130)**
Total liabilities and equity	3,642	**3,642**	2,223	**2,223**	3,970	**3,970**

Adoption of IFRS 16 – "Leases"

On January 1, 2019, the Company adopted IFRS 16 "Leases", which replaced IAS 17 "Leases". IFRS 16 eliminates the distinction between operating and financing leases and provides a single lessee accounting model that requires the lessee to recognize assets and liabilities for all leases on its balance sheet. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for virtually all lease contracts. An optional exemption to recognize certain short-term leases and leases of low value can be applied by lessees. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. For the lessor, the accounting remains essentially unchanged. The Company has used the following practical expedient as permitted by the standard:

- Exemption for short-term leases that have a remaining lease term of less than 12 months as at January 1, 2019 and low value leases.

The adoption of IFRS 16 had no material impact on the Company's condensed interim consolidated financial statements.

3. INVESTMENT IN JOINT VENTURE

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan, focusing on acquisitions of upstream oil and gas exploration, development and producing assets in sub-Saharan Africa. The determination of ShoreCan as a joint venture was based on ShoreCan's structure through a separate legal entity whereby neither the legal form nor the contractual arrangement give the owners rights to the assets and obligations for the liabilities within the normal course of business, nor does it give the rights to the economic benefits of the assets or responsibility for settling liabilities associated with the arrangement.

3. INVESTMENT IN JOINT VENTURE (continued)

The Company and its joint venture partner signed a funding agreement, effective October 24, 2014 (the "Funding Agreement") providing financial support as needed in proportion to its interest (50% each) in ShoreCan for ShoreCan's expenses and obligations. The Funding Agreement does not impose any guarantees from the Company and/or its joint venture partner. Amounts advanced to ShoreCan under the terms of the Funding Agreement are unsecured and payable on or before October 24, 2020 contingent upon ShoreCan generating its own cashflows. Interest is charged monthly at an annual rate of 3.0% above 12 month USD LIBOR.

From time to time the Company or its joint venture partner pay for ShoreCan's general and administrative expenses on behalf of the other partner. As at June 30, 2019, the Company had a receivable from its joint venture partner in respect of overpaid ShoreCan expenses of $0.2 million that is recorded as a long term receivable.

Nigeria

On September 13, 2016, ShoreCan closed an acquisition of 80% of the issued share capital of Essar Exploration and Production Limited (Nigeria) ("Essar Nigeria"), a company which sole asset is a 100% interest in exploration license OPL 226 offshore Nigeria. ShoreCan paid a cash consideration of $0.25 million and as part of the shareholder agreement, ShoreCan has agreed to cover the funding of Essar Nigeria's operations. As a party to a Production Sharing Contract ("PSC") signed with Nigerian National Petroleum Corporation ("NNPC") for OPL 226, Essar Nigeria is required to seek NNPC's consent for the transaction. The respective application has been made and the parties to the transaction are awaiting NNPC's reply. On October 2, 2018, NNPC granted a conditional approval of a twenty four months extension of the Phase-1 exploration period until October 1, 2020. The extension is subject to certain conditions, including submission of a performance bond of $7 million that is required further to the PSC, to cover the Phase-1 exploration period work program at OPL 226. ShoreCan will provide security for the performance bond underwritten by a Nigerian Bank as required to be provided by Essar Nigeria.

In addition, ShoreCan has committed to invest up to a maximum of $80 million into Essar Nigeria in the form of an interest-free shareholder loan. The funds will be used for Essar Nigeria operations and in particular, to cover work program obligations, including the costs of drilling one well under Phase-1 of the PSC.

In 2017, three ShoreCan representatives were appointed Directors of Essar Nigeria, gaining a majority on the Essar Nigeria board and legal control over Essar Nigeria. ShoreCan has assessed that the transaction does not meet criteria of a business acquisition as Essar Nigeria is in exploration/development stage. ShoreCan assessed the investment based on the fair values of Essar Nigeria's assets and liabilities upon obtaining control over Essar Nigeria. ShoreCan estimated a fair value of the Essar Nigeria loan to its previous parent at $6 million (as compared to the loan face value of $62.7 million as presented in Essar Nigeria audited financial statements as at December 31, 2016) as the shareholding agreement with Essar Nigeria provides for the repayment of this loan from anticipated future production. The loan is an interest free shareholder loan. Non-controlling interest ("NCI"), was recognized at the NCI proportionate share of net assets acquired.

Below are presented summarized unaudited consolidated statements of ShoreCan as at June 30, 2019 and results for the three and six months periods ended June 30, 2019.

As at the date of filing these financial statements, COPL has not provided any guarantee in respect of obligations, commitments and/or losses of either ShoreCan or Essar Nigeria.

3. INVESTMENT IN JOINT VENTURE (continued)

Nigeria (continued)

Summarized statement of comprehensive loss for investment in joint venture under equity accounting:

($ 000's)	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Revenues	**$ -**	$ -	**$ -**	$ -
Expenses				
General and administration	**(836)**	(914)	**(1,553)**	(1,492)
	(836)	(914)	**(1,553)**	(1,492)
Finance income				
Foreign exchange gain / (loss)	**3**	1	**(1)**	3
Interest expense	**(279)**	(233)	**(562)**	(443)
	(276)	(232)	**(563)**	(440)
Loss	**(1,112)**	(1,146)	**(2,116)**	(1,932)
Non-controlling interest	**62**	70	**114**	118
Net Loss	**(1,050)**	(1,076)	**(2,002)**	(1,814)
Share of equity investment (percent)	**50%**	50%	**50%**	50%
Company's share of net loss	**$ (525)**	$ (538)	**$ (1,001)**	$ (907)

During the six months ended June 30, 2019, the Company and its subsidiaries charged ShoreCan management and technical services of $0.9 million (2018 - $0.7 million), including $0.3 million of costs that were allocated to exploration and evaluation assets (2018 – $0.06 million) and charged an interest expense of $0.3 million (2018- $0.2 million).

3. INVESTMENT IN JOINT VENTURE (continued)

Nigeria (continued)

Carrying value of investment in joint venture under equity accounting:

Statement of financial position ($ 000's)	**June 30, 2019 (unaudited)**	December 31, 2018 (unaudited)
Assets		
Current		
Cash and cash equivalents	**$ 1**	$ 1
Accounts Receivable & prepaid expenses	**4**	4
	5	5
Exploration and evaluation assets	**9,722**	9,431
	$ 9,727	$ 9,436
Liabilities		
Current		
Accounts payable and accrued liabilities	**2,881**	2,729
Long Term loan to NCI	**6,171**	6,171
ShoreCan Partners' loan	**21,897**	19,642
	$ 30,949	$ 28,542
Equity		
Non-controlling interest	**(1,121)**	(1,007)
Deficit	**(20,101)**	(18,099)
	$ (21,222)	$ (19,106)

Reconciliation of carrying amount of net investment in joint venture:

Carrying amount - Opening	**$ -**	$ -
Increases in net investment in joint venture during the period	**1**	43
Loss recognized on investment in joint venture	**(1)**	(43)
Carrying amount - Ending	**$ -**	$ -

As at June 30, 2019, ShoreCan's non-current liabilities included $11.0 million due to the Company under the terms of the Funding Agreement (December 31, 2018 - $9.8 million).

For the six months ended June 30, 2019, the Company's share of ShoreCan's losses of $1.0 million (six months ended June 30, 2018 - $0.9 million) exceed the Company's Net Investment of $1,000 for this period ($13,000 for six months ended June 30, 2018). Accordingly, under the equity method, the Company recognized its share of ShoreCan's losses of $1,000 for the six months ended June 30, 2019 ($13,000 for six months ended June 30, 2018).

As at June 30, 2019, the Company's share in ShoreCan's accumulated losses is $10.0 million (December 31, 2018 - $9.0 million). Unrecognized accumulated losses on the investment as of June 30, 2019 are $9.0 million including $1.0 million of unrecognized losses for the six months ended June 30, 2019.

4. CASH AND CASH EQUIVALENTS

($ 000's)	**June 30, 2019**	December 31, 2018
Cash	**$ 619**	$ 1,768
Credit card deposits	**54**	88
	$ 673	$ 1,856

Cash balances earn interest, whenever possible, at floating rates based on daily bank deposit rates.

Credit card deposits are bank deposits that cover the maximum credit limit available for corporate credit cards.

The fair value of cash and cash equivalents was $0.7 million as at June 30, 2019 ($1.9 million as at December 31, 2018). The Company deposits its cash with reputable Canadian and Bermuda banks. The Company did not have any overdraft facilities in place as at June 30, 2019, and December 31, 2018.

5. SHARE CAPITAL

a) Authorized and Issued Common Shares

Authorized
An unlimited number of common voting shares (the "Common Shares") without nominal or par value and an unlimited number of preferred shares, issuable in series.

Issued
The issued share capital is as follows:

	Number of Common Shares	**Amount ($ 000's)**
Balance, January 1, 2018	**1,523,139,350**	**$ 133,650**
Issued pursuant to UK August Placement	895,523,000	3,891
Issued pursuant to Private Placement	41,310,913	180
Issued as a payment of introduction fee	26,779,200	107
Share issue costs	-	(886)
Balance, December 31, 2018	**2,486,752,463**	**$ 136,942**
Issued pursuant to UK June Placing (First Tranche)	**429,200,000**	**545**
Issued pursuant to UK June Placing (Second Tranche)	**67,800,000**	**86**
Share issue costs	**-**	**(245)**
Fair value of warrants that expired unexercised (Note 5b)	**-**	**179**
Balance, June 30, 2019	**2,983,752,463**	**$ 137,507**

On June 5, 2019, the Company closed a first tranche of UK June Placing of 429,200,000 Common Shares at a price of GBP 0.001 ($0.0013) for gross proceeds of GBP 0.4 million ($0.5 million) (the "UK June Placing – First Tranche"). Following the first tranche on June 24, 2019, the Company closed a second tranche of UK June Placing of 67,800,000 Common Shares at a price of GBP 0.001 ($0.0013) for gross proceeds of GBP 0.07 million ($0.09 million) (the "UK June Placing – Second Tranche"). The broker was paid a cash commission of GBP 0.03 million ($0.04 million) representing 6.0% of the gross proceeds of the UK June Placing. Other expenses (mainly legal, stock exchange and regulatory fees) amounted to approximately GBP 0.2 million ($0.2 million). The Company will use net proceeds from the UK June Placing of approximately $0.4 million mainly to finance its administrative expenses.

5. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

In connection with the UK June Placing, the Company also issued 4,970,000 warrants to its broker (the "2019 Broker's Warrants") as compensation warrants. Each Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of GBP 0.0015 ($0.0019) per Common Share on or before June 4, 2021. The fair value of the Broker's Warrants estimated at $2,000 (using a Black-Scholes option pricing model) was recognized as equity and netted against proceeds from UK June Placing (as share issue costs).

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the Broker's Warrants at the date of issue:

	June 5, 2019
Risk-free interest rate	0.58%
Weighted average life (years)	2.0
Expected volatility	90%
Expected dividend yield	0%

b) Warrants

A summary of the Company's share purchase warrants outstanding at June 30, 2019 is as follows:

($ 000's)	Number of Warrants	Weighted Average Exercise Price*	Fair Value of Warrants	Expiry Date
Balance, January 1, 2018	**174,032,188**	**$ 0.0530**	**$ -**	
Reclassification of June and October 2017 Broker's Warrants	-	-	227	(June 12, 2019 to October 16, 2019)
Issued August 2018 UK Placing Broker's Warrants	53,731,380	0.0043	103	August 30, 2020
Expired 2016 Non-Brokered Warrants	(14,605,000)	0.0693	-	
Expired 2016 Finder's Warrants	(1,177,114)	0.0510	-	
Expired 2016 Broker's Warrants	(99,016,868)	0.0749	-	
Expired 2016 Agents' Warrants	(5,233,206)	0.0552	-	
Balance, December 31, 2018	**107,731,380**	**$ 0.0063**	**$ 330**	(June 12, 2019 to August 30, 2020)
Issued June 2019 UK Placing Broker's Warrants	4,970,000	0.0015	2	June 5, 2021
Expired June 2017 Broker's Warrants	(39,000,000)	0.0064	(179)	June 12, 2019
Balance, June 30, 2019	**73,701,380**	**$ 0.0060**	**$ 153**	(October 16, 2019 to June 5, 2021)

*The weighted average exercise price has been converted in USD based on the foreign exchange rate in effect at the date of issuance.

5. SHARE CAPITAL (continued)

c) Incentive Stock Options

The Company has a stock option plan where the number of Common Shares reserved under the plan shall not exceed 10% of the issued and outstanding Common Shares and the number reserved for any one individual may not exceed 5% of the issued and outstanding shares. Exercise prices for stock options granted are determined by the closing market price on the day before the date of grant.

There were no changes to the Company's stock option plan, no stock options were granted, exercised and/or expired and 110,000 stock options were forfeited during the six months ended June 30, 2019. As at June 30, 2019, a total of 107,405,000 stock options to purchase Common Shares were outstanding, having a weighted average exercise price of $0.04 per share and a remaining weighted average contractual life of 2.8 years.

($ 000's)	Number of Options	Weighted Avg. Exercise Price*	Contributed Capital Reserve
Balance, January 1, 2018	**115,240,000**	**$ 0.06**	**$ 50,394**
Expired	(7,725,000)	0.23	-
Balance and exercisable December 31, 2018	**107,515,000**	**$ 0.04**	**$ 50,394**
Forfeited	(110,000)	0.04	-
Balance and exercisable June 30, 2019	**107,405,000**	**$ 0.04**	**$ 50,394**

*The weighted average exercise price has been converted in USD based on the foreign exchange rate in effect at the date of issuance.

6. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at June 30, 2019, the Company has the following commitments:

($ 000's)	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
Office lease	**$ 168**	168	-	-	-

The Company is committed under operating lease agreements for the rental of office space in Calgary, Canada. The approximate total lease payments are $0.2 million and are payable over the next four months.

7. FINANCIAL INSTRUMENTS

The Company measures financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

- Fair value through profit or loss: Financial instruments designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with changes in those fair values immediately charged to the statements of comprehensive income. The Company does not have any financial instruments under this classification.
- Amortized cost: Financial instruments designated as amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include cash, accounts receivable, accounts payable and accrued liabilities.

7. FINANCIAL INSTRUMENTS (continued)

- Fair value through other comprehensive income: Financial instruments designated as fair value through other comprehensive income are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not have any financial instruments under this classification.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if one or more loss events occur after initial recognition of the financial asset which has an impact on the estimated future cash flows of the financial asset and that impact can be reliably measured. The Company uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in general and administrative expenses.

a) Foreign exchange risk

To mitigate a portion of its exposure and to the extent it is feasible, the Company keeps its funds in currencies applicable to its known short-term obligations.

Cash and cash equivalents includes amounts denominated in the following foreign currencies:

	June 30, 2019	December 31, 2018
Great British Pounds	**396**	952
Canadian Dollars	**157**	867

(b) Credit risk

The Company's accounts receivable include mainly amounts due from its partner in ShoreCan as well as accounts receivable in respect of travel advances provided to the Company's employees. The Company believes there is no unusual exposure associated with these receivables. No amounts are considered to be past due and no allowance for doubtful accounts has been recorded in the accounts. As at June 30, 2019, the Company holds $0.7 million of cash and cash equivalents with Canadian and Bermuda chartered banks (December 31, 2018 - $1.9 million).

(c) Interest rate risk

The Company's policy is to keep its cash, whenever possible, in interest bearing accounts with its banking institutions. The Company periodically monitors the interest rates offered and is satisfied with the credit ratings of its banks.

8. NET CHANGE IN NON-CASH WORKING CAPITAL

($ 000's)	**June 30, 2019**	June 30, 2018
Decrease in accounts receivable	**$ 53**	$ 6
(Increase) in long-term accounts receivable	**(1)**	(13)
Decrease in prepaid expenses	**20**	100
(Increase) in long-term deposit	**-**	(1)
Increase in operating accounts payable and accrued liabilities	**374**	386
Net change in operating non-cash working capital	**$ 446**	$ 478
Increase in accounts payable and accrued liabilities due to share issue costs	**174**	-
Net change in financing non-cash working capital	**$ 174**	$ -