Canadian Overseas Petroleum Limited
Unaudited Condensed Interim Consolidated Financial Statements
As at March 31, 2013 and for the three month periods ended March 31, 2013 and 2012

Management's Responsibility for Unaudited Condensed Interim 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 unaudited condensed 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 the auditors, and has reported to the Board of Directors. The Board of Directors has approved the unaudited condensed interim consolidated financial statements as presented.

Signed "Arthur S. Millholland"
Arthur S. Millholland
President and Chief Executive Officer
May 16, 2013

Signed "Christopher McLean"
Christopher McLean
Chief Financial Officer
May 16, 2013

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

As at	March 31, 2013	December 31, 2012
Assets		
Current		
Cash and cash equivalents *(note 3)*	**$ 2,321**	$ 4,374
Accounts receivable	**88**	237
Prepaid expenses	**221**	212
	2,630	4,823
Deposit for seismic data	**15,234**	14,924
Deposits and prepayments	**49**	49
Exploration and evaluation assets	**251**	-
Office equipment	**208**	218
	$ 18,372	$ 20,014
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 3,437**	$ 3,194
	3,437	3,194
Shareholders' Equity		
Share capital	**100,768**	100,768
Warrants	**37,359**	37,359
Contributed capital reserve	**9,113**	9,113
Deficit	**(132,641)**	(130,602)
Accumulated other comprehensive income	**336**	182
	14,935	16,820
	$ 18,372	$ 20,014

Nature of operations (note 1)
Subsequent events (note 4)

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited
Condensed Consolidated Statements of Comprehensive Loss (unaudited)
(in thousands of Canadian dollars, except per share amounts)

For the three months ended March 31	**2013**	2012
Operations		
Services to third parties	**$ -**	$ 47
Exploration	**21**	(8,223)
Pre-license costs	**(366)**	(457)
Administrative	**(1,952)**	(1,538)
Depreciation	**(15)**	(13)
	(2,312)	(10,184)
Finance income and costs		
Interest income	**5**	19
Interest and financing charges	**-**	(4)
Foreign exchange gain / (loss)	**268**	(39)
	273	(24)
Loss	**(2,039)**	(10,208)
Gain on translation of foreign subsidiaries(1)	**154**	29
Comprehensive loss	**$ (1,885)**	$ (10,179)
Loss per share (basic and diluted)	**$(0.01)**	$(0.04)
Weighted average number of shares outstanding	**284,016,939**	284,016,939

(1)Other comprehensive income includes items that may be subsequently reclassified into profit and loss.

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited

Condensed Consolidated Statements of Changes in Equity (unaudited)

(in thousands of Canadian dollars)

	Share Capital	Warrants	Contributed Capital Reserve	Deficit	Accumulated Other Comprehensive Income[1]	Total Equity
Balance at January 1, 2012	**$ 100,768**	**$ 37,359**	**$ 9,113**	**$ (73,964)**	**$ 328**	**$ 73,604**
Comprehensive (loss) / income for the period				(10,208)	29	(10,179)
Balance at March 31, 2012	**$ 100,768**	**$ 37,359**	**$ 9,113**	**$ (84,172)**	**$ 357**	**$ 63,425**
Balance at January 1, 2013	**$ 100,768**	**$ 37,359**	**$ 9,113**	**$ (130,602)**	**$ 182**	**$ 16,820**
Comprehensive (loss) / income for the period				**(2,039)**	**154**	**(1,885)**
Balance at March 31, 2013	**$ 100,768**	**$ 37,359**	**$ 9,113**	**$ (132,641)**	**$ 336**	**$ 14,935**

[1]As at March 31, 2013 the accumulated other comprehensive income balance consists of unrealized foreign exchange on translation of foreign subsidiaries.

See accompanying notes to the consolidated financial statements.

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

For the three months ended March 31		**2013**		2012
Cash Used In Operating Activities				
Loss	**$**	**(2,039)**	$	(10,208)
Add (subtract) non-cash items:				
Interest income		**(5)**		(19)
Depreciation		**15**		13
Unrealized foreign exchange loss		**(291)**		(342)
Funds used in operations		**(2,320)**		(10,556)
Change in non-cash working capital *(note 6)*		**537**		(23,839)
		(1,783)		(34,395)
Investing Activities				
Additions to office equipment		**(5)**		(7)
Additions to exploration & evaluation assets		**(251)**		(73)
Interest income		**5**		19
Net change in non-cash working capital *(note 6)*		**-**		(341)
		(251)		(402)
Decrease in cash and cash equivalents during the period		**(2,034)**		(34,797)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies		**(19)**		389
Cash and cash equivalents, beginning of period		**4,374**		71,924
Cash and cash equivalents, end of period	**$**	**2,321**	$	37,516

See accompanying notes to the 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 TSX Venture Exchange in Canada. The Company's registered office is in Calgary, Alberta at 400, 604 – 1st Street SW.

COPL and its subsidiaries are involved in the identification, acquisition, exploration and development of oil and natural gas reserves. Currently the Company has the following subsidiaries, all of which are wholly-owned:

- COPL Technical Services Limited, which is involved in providing technical services to the COPL group of companies;
- Canadian Overseas Petroleum (UK) Limited ("COPL UK"), which conducts the Company's operations in the United Kingdom ("UK") North Sea;
- Canadian Overseas Petroleum (Bermuda Holdings) Limited and Canadian Overseas Petroleum (Bermuda) Limited ("COPL Bermuda"), which were created in May 2011 to conduct anticipated operations in offshore Liberia; and
- COPL New Zealand Limited, which was incorporated in New Zealand on November 8, 2012 to participate in an onshore exploration license in New Zealand.

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 Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in thousands of Canadian dollars ("$") in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". 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, 2012 and 2011, which outline the Company's significant accounting policies in Note 3 thereto, as well as the Company's critical accounting judgments and key sources of estimation uncertainty as set out in Note 3 thereto, which have been applied consistently in these financial statements, except as noted below.

These financial statements were approved for issuance by the Board of Directors on May 16, 2013.

Going Concern

These consolidated 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.

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 (note 4) 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. With no assurance such financing will be obtained, there is a significant doubt that the Company will be able 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.

Accounting Standards

As at January 1, 2013 the Company adopted the following standards for which the Company has assessed and determined there was no material impact on its financial results and financial position:

- IFRS 10, "Consolidated Financial Statements" which supersedes IAS 27 "Consolidation and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities";
- IFRS 11, "Joint Arrangements";
- IFRS 12, "Disclosure of Interests in Other Entities"; and
- IFRS 13, "Fair Value Measurement".

3. CASH AND CASH EQUIVALENTS

($ 000's)	**March 31, 2013**	December 31, 2012
Cash	**$ 1,065**	$ 2,914
Bankers' Acceptance	**999**	1,199
Credit card deposits	**257**	261
	$ 2,321	$ 4,374

Cash balances earn interest, whenever possible, at floating rates based on daily bank deposit rates. Bankers' Acceptances are made for periods varying between one and three months, depending on immediate cash requirements and earn interest at the respective Bankers' Acceptance 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 $2.3 million as at March 31, 2013 ($4.4 million as at December 31, 2012). The Company deposits its cash with reputable Canadian and UK banks. The Company did not have any overdraft facilities in place as at March 31, 2013 and December 31, 2012.

4. SUBSEQUENT EVENTS

Liberia transactions

On April 5, 2013, the closing and completion of previously announced transactions between the Company's subsidiary COPL Bermuda occurred; first with Peppercoast Petroleum plc ("Peppercoast"), and second with ExxonMobil Exploration and Production Liberia Limited ("ExxonMobil"). The closing of the transactions followed the ratification of the Production Sharing Contract ("PSC"), governing Block LB-13 offshore Liberia, by the Liberian Legislature. As a result, the Company holds a 20% working interest in Block LB-13, with the remaining 80% being held by ExxonMobil, who is also the operator under this license.

Further to the closing of the Liberia transactions, the Company has the following obligations outstanding as at the date of issuing these financial statements:

- $7.0 million payable to ExxonMobil in respect of closing payments made by ExxonMobil to the Government of Liberia on behalf of COPL Bermuda;
- $0.2 million payable to ExxonMobil in respect of annual social and development fees under the PSC, paid by ExxonMobil on behalf of COPL; and
- $0.3 million in respect of termination fees payable to Peppercoast under the Sale and Purchase Agreement ("SPA").

The Company expects to pay the above mentioned obligations from proceeds of a proposed public offering (as discussed below). The $7.0 million payable to ExxonMobil is due on June 20, 2013, and if the Company is unable to settle in cash at that time then this obligation will be settled by forfeiting an additional gross 3% ownership in the Block LB-13 license so that the Company would have a 17% interest.

In addition, further to the SPA provisions, the Company took over Peppercoast's office in Monrovia, Liberia, and eight Liberian employees.

Financing

On April 15, 2013, the Company filed a preliminary short form prospectus to obtain financing for its operations of up to $25 million. The agents are entitled to a cash commission equal to 6.5% of the gross proceeds of the offering. Other expenses related to the offering are estimated at $0.5 million.

5. FINANCIAL INSTRUMENTS

a) Fair values

As at March 31, 2013 and December 31, 2012, the fair values of all financial instruments not carried at fair value approximated their carrying values due to their short-term maturity.

(b) Foreign exchange risk

Cash and cash equivalents includes amounts denominated in foreign currencies:

	March 31, 2013	**December 31, 2012**
British Pounds	**332**	587
U.S. Dollars	**199**	317

6. NET CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended March 31, 2013	Three months ended March 31, 2012
Decrease in accounts receivable	**$ 148**	$ 63
Increase in prepaid expenses	**(9)**	(8)
Increase in operating accounts payable and accrued liabilities	**243**	8,403
Decrease in provision for loss on contract	**-**	(32,458)
Non-cash transaction:		
Net effect of foreign exchange	**155**	161
Net change in operating non-cash working capital	**$ 537**	$ (23,839)
Decrease in accounts receivable related to exploration assets	**$ -**	$ 247
(Decrease) in accounts payable related to exploration assets	**-**	(580)
Non-cash transaction:		
Net effect of foreign exchange	**-**	(8)
Net change in investing non-cash working capital	**$ -**	$ (341)