Canadian Overseas Petroleum Limited
Unaudited Condensed Interim Consolidated Financial Statements
As at June 30, 2014 and for the three and six month periods ended June 30, 2014 and 2013

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 unaudited condensed interim 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 consolidated interim financial statements as presented.

Signed "Arthur S. Millholland"
Arthur S. Millholland
President and Chief Executive Officer
August 13, 2014

Signed "Christopher McLean"
Christopher McLean
Chief Financial Officer
August 13, 2014

Canadian Overseas Petroleum Limited

Condensed Consolidated Statements of Financial Position (unaudited)

(in thousands of Canadian dollars)

As at	**June 30, 2014**	December 31, 2013
Assets		
Current		
Cash and cash equivalents *(note 3)*	**$ 1,905**	$ 2,384
Accounts receivable	**69**	60
Prepaid expenses	**302**	306
Loan receivable	**12**	12
	2,288	2,762
Deposits and prepayments	**66**	52
Loan receivable	**6**	12
Exploration and evaluation assets *(note 4)*	**18,002**	17,502
Office equipment	**160**	187
	$ 20,522	$ 20,515
Liabilities		
Current		
Accounts payable and accrued liabilities *(note 5)*	**$ 2,060**	$ 1,859
	2,060	1,859
Derivative liability *(note 6)*	**80**	-
	2,140	1,859
Shareholders' Equity		
Share capital *(note 6)*	**112,753**	110,020
Contributed capital reserve	**47,971**	47,971
Deficit	**(142,643)**	(139,675)
Accumulated other comprehensive income	**301**	340
	18,382	18,656
	$ 20,522	$ 20,515

Nature of operations (note 1)
Basis of preparation and going concern (note 2)
Commitments and contractual obligations (note 7)
Subsequent events (note 10)

See accompanying notes to the condensed consolidated financial statements.

Approved on behalf of the Board:

Signed "Arthur S. Millholland"
Director

Signed "Rick Schmitt"
Director

Canadian Overseas Petroleum Limited

Condensed Consolidated Statements of Comprehensive Loss (unaudited)

(in thousands of Canadian dollars, except per share amounts)

	Three months ended June 30, 2014	**Three months ended June 30, 2013**	**Six months ended June 30, 2014**	**Six months ended June 30, 2013**
Operations				
Exploration	**-**	51	**-**	72
Pre-license costs	**(42)**	(67)	**(324)**	(433)
Administrative	**(1,389)**	(1,931)	**(2,728)**	(3,883)
Depreciation	**(19)**	(15)	**(34)**	(30)
	(1,450)	(1,962)	**(3,086)**	(4,274)
Finance income and costs				
Interest income	**1**	2	**7**	7
Derivative gain *(note 6)*	**17**	-	**17**	-
Foreign exchange (loss)/gain	**(544)**	319	**94**	587
	(526)	321	**118**	594
Loss	**(1,976)**	(1,641)	**(2,968)**	(3,680)
(Loss)/gain on translation of foreign subsidiaries[(1)]	**(72)**	114	**(39)**	268
Comprehensive loss	**$ (2,048)**	$ (1,527)	**$ (3,007)**	$ (3,412)
Loss per share (basic and diluted)	**$(0.01)**	$(0.01)	**$(0.01)**	$(0.01)
Weighted average number of shares outstanding	**350,909,416**	284,016,939	**342,361,059**	284,016,939

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

See accompanying notes to the condensed 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/(Loss)[1]	Total Equity
Balance at December 31, 2012	**$ 100,768**	**$ 37,359**	**$ 9,113**	**$ (130,602)**	**$ 182**	**$ 16,820**
Comprehensive (loss) / income for the period	**-**	**-**	**-**	(3,680)	268	(3,412)
Balance at June 30, 2013	**$ 100,768**	**$ 37,359**	**$ 9,113**	**$ (134,282)**	**$ 450**	**$ 13,408**
Balance at December 31, 2013	**$ 110,020**	**$ -**	**$ 47,971**	**$ (139,675)**	**$ 340**	**$ 18,656**
Comprehensive loss for the period	**-**	**-**	**-**	**(2,968)**	**(39)**	**(3,007)**
Transactions with owners, recorded directly to equity						
Issue of common shares - net of issue costs	**2,733**	**-**	**-**	**-**	**-**	**2,733**
Balance at June 30, 2014	**$ 112,753**	**$ -**	**$ 47,971**	**$ (142,643)**	**$ 301**	**$ 18,382**

[1]As at June 30, 2014 the accumulated other comprehensive income balance consists of unrealized foreign exchange on translation of foreign subsidiaries.

See accompanying notes to the condensed consolidated financial statements.

Canadian Overseas Petroleum Limited

Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands of Canadian dollars)

For the six months ended June 30	**2014**	2013
Cash Used In Operating Activities		
Loss	**$ (2,968)**	$ (3,680)
Interest income	**(7)**	(7)
Add (deduct) non-cash items:		
Depreciation	**34**	30
Unrealized foreign exchange gain	**(197)**	(569)
Funds used in operations	**(3,138)**	(4,226)
Net change in non-cash working capital *(note 9)*	**276**	877
	(2,862)	(3,349)
Financing Activities		
Issuance of common shares, net of issue costs	**2,813**	-
Decrease in loan receivable	**6**	-
Net change in non-cash working capital *(note 9)*	**-**	-
	2,819	-
Investing Activities		
Additions to office equipment	**(8)**	(11)
Additions to exploration and evaluation assets	**(446)**	(673)
Interest income	**7**	7
Net change in non-cash working capital *(note 9)*	**-**	315
	(447)	(362)
Decrease in cash and cash equivalents during the period	**(490)**	(3,711)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	**11**	(9)
Cash and cash equivalents, beginning of period	**2,384**	4,374
Cash and cash equivalents, end of period	**$ 1,905**	$ 654

See accompanying notes to the condensed 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 and the London Stock Exchange in the UK. 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 offshore 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 B"), which were created in May 2011 to conduct anticipated operations in offshore Liberia;
- COPL New Zealand Limited, which was incorporated in New Zealand ("NZ") on November 8, 2012; and
- Canadian Overseas Petroleum (Nigeria) Limited, which was incorporated in Bermuda on October 17, 2013.

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 Canadian 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, 2013 and 2012, which outline the Company's significant accounting policies in Note 3 thereto, which have been applied consistently in these financial statements, except as noted 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.

As at January 1, 2014, the Company adopted the following standards:

• IAS 36, Impairment of Assets – Amendments to IAS 36 require entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The Company assessed the effect of IAS 36 and determined that there will be no material impact on the financial statements.

• IFRIC 21, Levies – Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets, sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company assessed the effect of IFRIC 21 on its consolidated statements of financial position and consolidated statements of comprehensive loss and has determined there is no material impact.

These financial statements were approved for issuance by the Board of Directors on August 13, 2014.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

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 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 in 2014, there is significant doubt 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.

3. CASH AND CASH EQUIVALENTS

($ 000's)	**June 30, 2014**	December 31, 2013
Cash	**$ 1,815**	$ 2,114
Credit card deposits	**90**	270
	$ 1,905	$ 2,384

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 $1.9 million as at June 30, 2014 ($2.4 million as at December 31, 2013). 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, 2014 and December 31, 2013.

4. EXPLORATION AND EVALUATION ASSETS

($ 000's)	**Liberia**	**New Zealand**	**TOTAL**
As at December 31, 2012	**$ -**	**$ -**	**$ -**
Additions	872	633	**1,505**
Transfer of deposit for seismic data	15,287	-	**15,287**
Net effect of foreign exchange	693	17	**710**
As at December 31, 2013	**$ 16,852**	**$ 650**	**$ 17,502**
Additions	**305**	**141**	**446**
Net effect of foreign exchange	**55**	**(1)**	**54**
As at June 30, 2014	**$ 17,212**	**$ 790**	**$ 18,002**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($ 000's)	June 30, 2014	December 31, 2013
Trade payables	1,361	1,307
Joint interest payables	300	292
Accrued liabilities	377	238
Other	22	22
Total	2,060	1,859

6. 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**
Balance, December 31, 2012	**284,016,939**	**$ 100,768**
Issued pursuant to public offering on July 25th	30,000,000	6,000
Issued pursuant to public offering on August 28th	12,311,000	2,462
Issued pursuant to settlement of debt on December 3rd	7,389,781	1,810
Share issue costs	-	(1,020)
Balance, December 31, 2013	**333,717,720**	**$ 110,020**
Issued pursuant to public offering on April 3rd	17,777,777	**4,392**
Share issue costs	-	**(1,659)**
Balance, June 30, 2014	**351,495,497**	**$ 112,753**

On April 3, 2014, the Company closed a prospectus relating to its admission to the standard listing segment of the Official List, and to trading on the main market for listed securities of the London Stock Exchange. The Company issued 17,777,777 Common Shares at a price of GBP 0.135 ($0.247) for gross proceeds of GBP 2.4 million ($4.4 million). The agents were paid cash commission and fees of GBP $0.3 million ($0.5 million) representing 5.0% of the gross proceeds of the public offering. Other expenses related to the public offering amounted to approximately $1.1 million.

6. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

The Company also issued 888,889 share purchase warrants ("Warrants") to its agent as compensation warrants in an amount equal to 5.0% of the aggregate number of common shares issued pursuant to the offering. Each Warrant entitles the holder to purchase one common share of COPL for the period until April 4, 2016, at an exercise price of GBP 0.135 ($0.247). The fair value of the Warrants issued was recognized as share issue costs and estimated at $0.1 million using a Black-Scholes option pricing model with the following assumptions:

	2014
Risk-free interest rate	1.1%
Weighted average life (years)	2.0
Expected volatility	81%
Expected dividend yield	0%

On April 4, 2016 a derivative liability of $0.1 million was also recognized in relation to the Warrants issued. The Warrants' exercise price is in GBP, and the Company's functional currency is in CAD, as there is variability in these exchange rates the Warrants are classified as a derivative. As at June 30, 2014, the previously recorded derivative liability of $0.1 million was revalued and a derivative gain of $17,000 was recognized. The estimated derivative liability as at June 30, 2014, is valued at $0.08 million, using a Black-Scholes option pricing model with the following assumptions:

	2014
Risk-free interest rate	1.1%
Weighted average life (years)	1.75
Expected volatility	70%
Expected dividend yield	0%

b) Incentive Stock Options

As at June 30, 2014, a total of 29,532,500 stock options to purchase common shares are outstanding, having a weighted average exercise price of $0.50 per share with a remaining weighted average contractual life of 2.58 years. Changes to the Company's stock options are summarized as follows:

	Six months ended June 30, 2014		**Year ended December 31, 2013**	
	Number of Options	**Wt. Avg. Exercise Price**	**Number of Options**	**Wt. Avg. Exercise Price**
Balance, beginning of period	**31,320,000**	**$ 0.51**	20,565,000	$ 0.67
Granted	-	-	11,025,000	0.23
Forfeited	**(1,787,500)**	**0.67**	(270,000)	0.77
Balance, end of period	**29,532,500**	**$ 0.50**	31,320,000	$ 0.51
Exercisable, end of period	**29,532,500**	**$ 0.50**	31,320,000	$ 0.51

7. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at June 30, 2014, the Company has the following commitments:

($ 000's)	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
NZ exploration commitments	**1,700**	1,700	-	-	-
Office lease	**3,655**	684	1,367	1,367	237
	5,355	2,384	1,367	1,367	237

NZ exploration commitments of $1.7 million as at June 30, 2014 relate to a minimum work programme to be carried out by October 31, 2014, under a 50% exploration license in New Zealand. In addition, the Company acts as a guarantor of its partner's commitments (the remaining 50%) in this New Zealand license. In the event that the acquisition of seismic data does not occur in accordance with the work programme, there is no financial penalty to the Company. Instead, the Company's interest in the license is subject to forfeiture on November 1, 2014. Management is currently exploring alternatives for raising sufficient capital to complete the minimum work programme, and plans to proceed under the terms of the exploration license. The Company has capitalized costs in New Zealand of $790,000 as at June 30, 2014 (December 31, 2013 - $650,000).

The Company is committed under operating lease agreements for the rental of office space in Calgary, Canada and Aberdeen, UK. The approximate total lease payments are $3.7 million and are payable over the next six years.

8. FINANCIAL INSTRUMENTS

a) Fair values

As at June 30, 2014 and December 31, 2013, 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:

	June 30, 2014	December 31, 2013
British Pounds	**697**	188
U.S. Dollars	**411**	123

9. NET CHANGE IN NON-CASH WORKING CAPITAL

	Six months ended June 30, 2014	Six months ended June 30, 2013
(Increase) / decrease in accounts receivable	**$ (8)**	$ 167
(Increase) / decrease in prepaid expenses	**(9)**	63
Increase in operating accounts payable and accrued Liabilities	**202**	666
Non-cash transaction:		
Net effect of foreign exchange	**91**	(19)
Net change in operating non-cash working capital	**$ 276**	$ 877
Increase in accounts payable related to exploration assets	**$ -**	$ 315
Net change in investing non-cash working capital	**$ -**	$ 315

10. SUBSEQUENT EVENTS

On July 29, 2014, the Company filed a preliminary short form prospectus in connection with a marketed offering (the "Offering") of units of the Company (the "Units"). Each Unit consists of one common share ("Common Share") in the capital of the Company and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.40 per Common Share on or before the date that is 36 months following the closing date. The Company will issue a minimum of 25,000,000 Units to a maximum of 75,000,000 Units at a price of $0.20 per Unit, for a minimum of $5.0 million to a maximum of $15.0 million in aggregate gross proceeds pursuant to the Offering. The Offering is scheduled to close on or about August 21, 2014.