



CANADIAN OVERSEAS PETROLEUM LIMITED

Canadian Overseas Petroleum to Acquire Offshore Liberian Interest

Calgary, Canada, May 18, 2011 – Canadian Overseas Petroleum Limited (“COPL” or the “Company”) (XOP: TSX-V) has signed a Sale and Purchase Agreement (“SPA”) to acquire a 100% interest in Block LB-13 offshore Liberia from Peppercoast Petroleum plc (“Peppercoast”) for a total sum of US\$85,000,000 payable in cash and common shares of COPL. The transaction is expected to close on or about June 30, 2011 assuming certain conditions can be satisfied including obtaining the consent of The National Oil Company of Liberia (“NOCAL”).

The purchase price will be satisfied, subject to approval by the TSX Venture Exchange, as to a minimum of US\$45,000,000 and a maximum of US\$50,000,000 in cash, and the remainder in common shares of COPL which will be issued directly to the Peppercoast shareholders and priced at US\$0.5473 per share (being the five day volume weighted average price per common share in US Dollars on the TSX Venture Exchange in the five business days prior to today’s date, and based on the noon exchange rate for the Canadian dollar against the US Dollar as quoted by the Bank of Canada).

If the minimum amount of cash is paid on closing, COPL will be required to issue 71,428,908 common shares representing approximately 25% of the number of COPL common shares currently outstanding. If the maximum amount of cash is paid on closing, COPL will be required to issue 62,500,295 common shares representing approximately 22% of the number of COPL common shares currently outstanding.

Block LB-13 covers an area of approximately 2,400 square kilometres and is adjacent to blocks LB-14 and LB-12 held by a supermajor oil company. COPL will also acquire 2,200 square kilometres of 3D seismic that was shot for Peppercoast in the first quarter of 2010. The Production Sharing Contract (“PSC”) for Block LB-13 is an 8 year exploration license that commenced in May 2007 and is divided into 3 phases of 4 years, 2 years and 2 years, respectively. The second and third phases of the PSC require the drilling of a well in each phase. The second phase of the PSC is to commence on May 23, 2011. In addition to the agreed purchase price, COPL has loaned US\$15 million on a secured basis to Peppercoast in order for Peppercoast to satisfy an account payable to TGS-NOPEC Geophysical. The loan funds pay for the acquisition and processing of the 3D seismic survey referred to above and should also satisfy Peppercoast’s work obligations under the PSC’s first phase.

Arthur Millholland, CEO of COPL stated, “COPL’s Board of Directors has adopted a strategy of expanding the geographic opportunities available to the corporation. The nature of the geology and geophysical signature of the drilling prospects identified to date on LB-13 is very familiar to the technical staff of COPL.” Mr. Millholland added that “The drilling



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targets we have identified on LB-13 are Cretaceous turbidite sand stratigraphic traps analogous to the Paleocene drilling targets we are pursuing in the UK Central North Sea. We have identified a number of drilling prospects on the Block each having strong seismic AVO anomalies and other direct hydrocarbon indicators which possibly suggest the presence of hydrocarbons.” The Company is initiating the planning for the drilling of the strongest of these prospects, with operations targeted to commence in the first quarter of 2012. The drilling of this well will meet the Company’s obligations under Phase II of the PSC. Several companies have announced intentions to begin drilling in deep water Liberian offshore in the second half of 2011, specifically in Blocks 8, 9 and 15.

Upon closing of the SPA, COPL will offer employment to all of Peppercoast’s employees in Liberia where Peppercoast currently has an office. Some of the UK based consultants of Peppercoast have agreed to provide services to COPL. COPL also intends to continue supporting Peppercoast’s local social and welfare program, which among other things, supports a local orphanage.

Canaccord Genuity acted as Strategic Advisor to the Company for the transaction.

About West Africa

Oil and gas exploration continues to expand in a wide region off the coast of northern West Africa. This area includes countries such as Sierra Leone and Liberia to the northwest, and Ghana to the southeast. A number of recent oil discoveries have been made in this area including the Jubilee (2007), Tweneboa (2009), Teak (2010), and Odum (2010) discoveries offshore Ghana, and the Venus (2009) and Mercury (2010) discoveries offshore Sierra Leone just northwest of the Liberian border. The application of sophisticated seismic AVO analysis and modern deep water drilling technology has been critical to unlocking these discoveries, which appear to indicate the presence of an active petroleum system in the deep water Cretaceous “fan” trend from Sierra Leone to Ghana.



About the Company

COPL is an oil and gas exploration company focused in the UK North Sea, and the offshore West African and Brazilian Continental margins. COPL's Common Shares are listed under the symbol "XOP".

Forward Looking Statements

This press release may contain forward-looking statements based on COPL's current expectations and assumptions as to a number of factors including access to capital, regulatory approvals, drilling intentions, intended acquisitions, regulatory approvals and general economic and industry conditions. If those expectations and assumptions prove to be incorrect, or factors change, then actual results could differ materially from the forward-looking statements contained in this press release.

Generally, statements included in this press release that address activities, events or developments that COPL expects, believes or anticipates will or may occur in the future are forward-looking statements. Such forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond COPL's control, including: the closing of the SPA is subject to various conditions precedent some or all of which may not be satisfied or waived, the impact of general economic conditions in the areas in which COPL operates, civil unrest, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in commodity prices, foreign exchange or interest rates, stock market volatility and obtaining required approvals of regulatory authorities. In addition there are risks and uncertainties associated with the oil and gas industry, therefore COPL's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amounts of proceeds, which COPL will derive therefrom. Such statements are based on assumptions made by COPL based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances.

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