

Canadian Overseas Petroleum Limited
Unaudited Condensed Interim Consolidated
Financial Statements
As at June 30, 2013 and for the three and six month
periods ended June 30, 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
August 8, 2013

Signed "Christopher McLean"

Christopher McLean
Chief Financial Officer
August 8, 2013

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

As at	June 30, 2013	December 31, 2012
Assets		
Current		
Cash and cash equivalents <i>(note 3)</i>	\$ 654	\$ 4,374
Accounts receivable	69	237
Prepaid expenses	147	212
	<u>870</u>	<u>4,823</u>
Deposit for seismic data <i>(note 4)</i>	-	14,924
Deposits and prepayments	51	49
Exploration and evaluation assets <i>(note 4)</i>	16,463	-
Office equipment	199	218
	<u>\$ 17,583</u>	<u>\$ 20,014</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 4,175	\$ 3,194
	<u>4,175</u>	<u>3,194</u>
Shareholders' Equity		
Share capital	100,768	100,768
Warrants	37,359	37,359
Contributed capital reserve	9,113	9,113
Deficit	(134,282)	(130,602)
Accumulated other comprehensive income	450	182
	<u>13,408</u>	<u>16,820</u>
	<u>\$ 17,583</u>	<u>\$ 20,014</u>

Nature of operations (note 1)
Subsequent events (note 5)

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)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Operations				
Services to third parties	\$ -	\$ 63	\$ -	\$ 110
Loss on UK contracts	-	(11)	-	(11)
Exploration	51	(221)	72	(8,444)
Pre-license costs	(67)	(889)	(433)	(1,346)
Administrative	(1,931)	(2,144)	(3,883)	(3,682)
Depreciation	(15)	(13)	(30)	(26)
	(1,962)	(3,215)	(4,274)	(13,399)
Finance income and costs				
Interest income	2	13	7	32
Interest and financing charges	-	(6)	-	(10)
Foreign exchange gain	319	77	587	38
	321	84	594	60
Loss	(1,641)	(3,131)	(3,680)	(13,339)
Gain on translation of foreign subsidiaries ⁽¹⁾	114	259	268	288
Comprehensive loss	\$ (1,527)	\$ (2,872)	\$ (3,412)	\$ (13,051)
Loss per share (basic and diluted)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.05)
Weighted average number of shares outstanding	284,016,939	284,016,939	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	-	-	-	(13,339)	288	(13,051)
Balance at June 30, 2012	\$ 100,768	\$ 37,359	\$ 9,113	\$ (87,303)	\$ 616	\$ 60,553
Balance at January 1, 2013	\$ 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

⁽¹⁾As at June 30, 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 six months ended June 30	2013	2012
Cash Used In Operating Activities		
Loss	\$ (3,680)	\$ (13,339)
Add (subtract) non-cash items:		
Interest income	(7)	(32)
Depreciation	30	26
Unrealized foreign exchange gain	(569)	(405)
Funds used in operations	(4,226)	(13,750)
Net change in non-cash working capital (<i>note 7</i>)	877	(32,105)
	(3,349)	(45,855)
Investing Activities		
Additions to office equipment	(11)	(9)
Additions to exploration & evaluation assets (<i>note 4</i>)	(673)	(122)
Interest income	7	32
Net change in non-cash working capital (<i>note 7</i>)	315	581
	(362)	482
Decrease in cash and cash equivalents during the period	(3,711)	(45,373)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	(9)	384
Cash and cash equivalents, beginning of period	4,374	71,924
Cash and cash equivalents, end of period	\$ 654	\$ 26,935

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited
Notes to the Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2013 and 2012

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, 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.

These financial statements were approved for issuance by the Board of Directors on August 8, 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 (see 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 (see note 5). 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 to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Canadian Overseas Petroleum Limited
Notes to the Condensed Consolidated Financial Statements
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2. BASIS OF PREPARATION AND GOING CONCERN (continued)

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)	June 30, 2013	December 31, 2012
Cash	\$ 393	\$ 2,914
Bankers' Acceptances	-	1,199
Credit card deposits	261	261
	\$ 654	\$ 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 \$0.7 million as at June 30, 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 June 30, 2013 and December 31, 2012.

4. EXPLORATION AND EVALUATION ASSETS

(\$ 000's)	Liberia	New Zealand	TOTAL
As at December 31, 2012	-	-	-
Additions at cost	442	232	674
Transfer of deposit for seismic data	14,924	-	14,924
Net effect of foreign exchange	857	8	865
As at June 30, 2013	16,223	240	16,463

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4. EXPLORATION AND EVALUATION ASSETS (continued)

Liberia

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. The Company was obliged to repay USD\$7.2 million to ExxonMobil within 75 days of closing in respect of closing payments made by ExxonMobil to the Government of Liberia on behalf of COPL Bermuda. In June the Company did not make the payment of USD\$7.2 million to ExxonMobil. As a result, the Company holds a 17% working interest in Block LB-13, with the remaining 83% being held by ExxonMobil, who is also the operator under this license.

\$16.2 million recognized as exploration and evaluation assets mainly represent the Canadian dollar equivalent of US\$15.0 million for 3D seismic conducted on of Block LB-13 (previously recorded as a deposit for seismic data).

5. SUBSEQUENT EVENTS

On July 25, 2013, the Company closed a short form prospectus offering of 30,000,000 common shares issued at \$0.20 per share for gross proceeds of \$6.0 million. The agents' commission was 6.5% of the gross proceeds of the offering. Other expenses related to the offering are estimated at \$0.3 million. The net proceeds of approximately \$5.3 million will be used mainly to finance the Company's general and administrative costs.

6. FINANCIAL INSTRUMENTS

a) Fair values

As at June 30, 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:

	June 30, 2013	December 31, 2012
British Pounds	94	587
U.S. Dollars	94	317

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7. NET CHANGE IN NON-CASH WORKING CAPITAL

	Six months ended June 30, 2013	Six months ended June 30, 2012
Decrease in accounts receivable	\$ 167	\$ 56
Decrease (increase) in prepaid expenses and deposits	63	(4)
Increase in operating accounts payable and accrued liabilities	666	149
Decrease in provision for loss on contract	-	(32,577)
Non-cash transaction:		
Net effect of foreign exchange	(19)	271
Net change in operating non-cash working capital	\$ 877	\$ (32,105)
Decrease in accounts receivable related to exploration assets	\$ -	\$ 247
Increase in accounts payable related to exploration assets	315	354
Non-cash transaction:		
Net effect of foreign exchange	-	(20)
Net change in investing non-cash working capital	\$ 315	\$ 581