

**Canadian Overseas Petroleum Limited
Unaudited Condensed Interim Consolidated
Financial Statements
As at March 31, 2017 and the for the three month
periods ended March 31, 2017 and 2016**

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 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
May 5, 2017

Signed "Aleksandra Owad"

Aleksandra Owad
Chief Financial Officer
May 5, 2017

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

As at	March 31, 2017	December 31, 2016
Assets		
Current		
Cash and cash equivalents	\$ 1,591	\$ 2,565
Accounts receivable	201	210
Prepaid expenses	123	179
	1,915	2,954
Deposits and prepayments	48	48
Exploration and evaluation assets (<i>note 4</i>)	15,530	15,407
Office equipment	66	71
	\$ 17,559	\$ 18,480
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,178	\$ 991
	1,178	991
Derivative liability (<i>note 5(a)</i>)	71	335
	1,249	1,326
Shareholders' Equity		
Share capital (<i>note 5(a)</i>)	124,874	124,874
Warrants (<i>note 5(b)</i>)	2,612	2,612
Contributed capital reserve (<i>note 5(c)</i>)	50,111	50,111
Deficit	(159,254)	(158,448)
Accumulated other comprehensive loss	(2,033)	(1,995)
	16,310	17,154
	\$ 17,559	\$ 18,480

Nature of operations (*note 1*)

Going concern (*note 2*)

Commitments and contractual obligations (*note 6*)

See accompanying notes to the condensed consolidated financial statements.

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

For the three months ended March 31	2017	2016
Operations		
Administrative	\$ (1,130)	\$ (1,038)
Depreciation	(5)	(13)
	<u>(1,135)</u>	<u>(1,051)</u>
Finance income and costs		
Interest income	5	3
Derivative gain / (loss) <i>(note 5(a))</i>	267	(654)
Foreign exchange gain / (loss)	58	(46)
	<u>330</u>	<u>(697)</u>
Loss before investments in joint ventures	(805)	(1,748)
Loss on investment in joint venture <i>(note 3)</i>	(1)	(2)
Net loss	<u>(806)</u>	<u>(1,750)</u>
(Loss) / gain on translation of foreign subsidiaries	<u>(38)</u>	<u>62</u>
Comprehensive loss	<u>\$ (844)</u>	<u>\$ (1,688)</u>
Loss per share (basic and diluted)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>617,139,350</u>	<u>482,339,196</u>

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 Income/(Loss) ⁽¹⁾	Total Equity
Balance at January 1, 2016	\$ 120,730	\$ 2,612	\$ 48,014	\$ (151,687)	\$ (2,462)	\$ 17,207
Comprehensive (loss) / income for the period	-	-	-	(1,750)	62	(1,688)
Balance at March 31, 2016	<u>\$ 120,730</u>	<u>\$ 2,612</u>	<u>\$ 48,014</u>	<u>\$ (153,437)</u>	<u>\$ (2,400)</u>	<u>\$ 15,519</u>
Balance at December 31, 2016	\$ 124,874	\$ 2,612	\$ 50,111	\$ (158,448)	\$ (1,995)	\$ 17,154
Comprehensive (loss) for the period	-	-	-	(806)	(38)	(844)
Balance at March 31, 2017	<u>\$ 124,874</u>	<u>\$ 2,612</u>	<u>\$ 50,111</u>	<u>\$ (159,254)</u>	<u>\$ (2,033)</u>	<u>\$ 16,310</u>

⁽¹⁾As at March 31, 2017 and 2016, 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 United States dollars)

For the three months ended March 31	2017	2016
Cash Used In Operating Activities		
Loss	\$ (806)	\$ (1,750)
Interest income	(5)	(3)
Add (deduct) non-cash items:		
Derivative (gain) / loss <i>(note 5(a))</i>	(267)	654
Depreciation	5	13
Unrealized foreign exchange (gain) / loss	(66)	46
Loss on investment in joint venture <i>(note 3)</i>	1	2
	<u>(1,138)</u>	<u>(1,038)</u>
Net change in non-cash working capital <i>(note 8)</i>	<u>252</u>	<u>302</u>
	<u>(886)</u>	<u>(736)</u>
Investing Activities		
Additions to office equipment	(1)	-
Additions to exploration and evaluation assets <i>(note 4)</i>	(123)	(41)
Additions to investment in joint venture <i>(note 3)</i>	(1)	(2)
Interest income	5	3
	<u>(120)</u>	<u>(40)</u>
Decrease in cash and cash equivalents during the period	(1,006)	(776)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	32	79
Cash and cash equivalents, beginning of period	<u>2,565</u>	<u>2,015</u>
Cash and cash equivalents, end of period	<u>\$ 1,591</u>	<u>\$ 1,318</u>

See accompanying notes to the condensed consolidated financial statements.

Canadian Overseas Petroleum Limited
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2017 and 2016

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, 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 March 31, 2017, 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”) is providing technical and projects related services to the COPL group of companies;
- Canadian Overseas Petroleum (Bermuda Holdings) Limited, Canadian Overseas Petroleum (Bermuda) Limited (“COPL B”) and Canadian Overseas Petroleum (Namibia) Limited, which were incorporated to conduct operations in offshore Liberia and elsewhere in Africa.

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 sub-Saharan 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, 2016 and 2015, which outline the Company’s significant accounting policies in Note 3 thereto, which have been applied consistently in these financial statements, as well as the Company’s critical accounting judgments and key sources of estimation uncertainty which are also set out in Note 3 thereto.

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.

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 that financing will be obtained in 2017, there is material uncertainty that may cast 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.

The financial statements were authorized for issue by the Company’s Board of Directors on May 5, 2017.

Canadian Overseas Petroleum Limited
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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.

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, 2017 contingent upon ShoreCan generating its own cashflows. Interest is charged monthly at an annual rate of 3.0% above 12 month USD LIBOR.

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. 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") for OPL 226, Essar Nigeria is required to seek Nigerian Government ministerial consent for the transaction. The respective application has been made and the parties to the transaction are awaiting its approval.

In January 2017, three ShoreCan's representatives were appointed Directors of Essar Nigeria, gaining majority on Essar Nigeria board. ShoreCan has assessed that the transaction does not meet criteria of a business acquisition as Essar Nigeria is in exploration/development stage and as at March 31, 2017, ShoreCan has legal control over Essar Nigeria.

As at the date of filing of these interim financial statements, Shorecan has assessed that they do not have control under the control framework of IFRS 10, *Consolidated Financial Statements*. Accordingly, the below summarized statements of ShoreCan, do not include Essar Nigeria results for the first quarter of 2017 and the \$0.25 million representing the cash consideration paid, is still recognized as a deposit in ShoreCan's books as at as at March 31, 2017.

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; the Phase-1 period was extended to November 30, 2017. Upon receiving final approval from the Nigerian Government, ShoreCan will finalize the recording of this investment based on the fair values of Essar Nigeria's assets and liabilities. As at December 31, 2015, as per Essar Nigeria's audited financial statements, Essar Nigeria had total assets of \$69.8 million and total liabilities of \$69.7 million, including a loan to its parent of \$64.7 million. The agreement with Essar Nigeria provides for the repayment of this loan from future production.

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

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Notes to the Condensed Consolidated Financial Statements
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3. INVESTMENT IN JOINT VENTURE (continued)

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

For the three months ended March 31 (\$ 000's)	2017	2016
Revenues	\$ -	\$ -
Expenses		
General and administration	(634)	(1,065)
	(634)	(1,065)
Finance income		
Foreign exchange gain	-	1
Interest expense	(133)	(58)
	(133)	(57)
Net Loss	(767)	(1,122)
Share of equity investment (percent)	50%	50%
Company's share of net loss	\$ (384)	\$ (561)

Included in ShoreCan's expenses for the three months ended March 31, 2017, is \$0.3 million (2016 - \$0.5 million) of management and technical services and \$66,000 (2016 - \$29,000) of interest expense charged by the Company and its subsidiaries.

Carrying value of investment in joint venture under equity accounting:

Statement of financial position (\$ 000's)	March 31, 2017	December 31, 2016
Assets		
Non-current Assets	\$ 250	\$ 252
	\$ 250	\$ 252
Liabilities		
Current liabilities	(380)	(271)
Non-current liabilities	(11,651)	(10,994)
	\$ (12,031)	\$ (11,265)

Reconciliation of carrying amount of net investment in joint venture:

Carrying amount - Opening	\$ -	\$ -
Increases in net investment in joint venture during the period	1	80
Loss recognized on investment in joint venture	(1)	(80)
Carrying amount - Ending	\$ -	\$ -

As at March 31, 2017, ShoreCan's non-current liabilities included \$5.9 million due to the Company under the terms of the Funding Agreement (December 31, 2016 - \$5.5 million).

For the three months ended March 31, 2017, the Company's share of ShoreCan's losses of \$0.4 million (three months ended March 31, 2016 - \$0.6 million) exceed the Company's Net Investment of \$1,000 for this period (\$2,000 for three months ended March 31, 2016). Accordingly, under the equity method, the Company recognized its share of ShoreCan's losses of \$0.4 million for the three months ended March 31, 2017 (\$0.6 million for three months ended March 31, 2016).

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3. INVESTMENT IN JOINT VENTURE (continued)

As at March 31, 2017, the Company's share in ShoreCan's accumulated losses is \$5.9 million (December 31, 2016 - \$5.5 million). Unrecognized accumulated losses on the investment as of March 31, 2017 are \$5.1 million including \$0.4 million of unrecognized losses for three months ended March 31, 2017.

4. EXPLORATION AND EVALUATION ASSETS

(\$ 000's)	TOTAL
As at January 1, 2016	\$ 16,455
Additions	273
Derecognition	(1,321)
As at December 31, 2016	\$ 15,407
Additions	123
As at March 31, 2017	\$ 15,530

Liberia

The Company holds a 17% working interest in Block LB-13 offshore Liberia, with the remaining 83% being held by ExxonMobil Exploration and Production Liberia Limited, who is the operator under this license.

As at March 31, 2017, the Company's exploration and evaluation assets ("E&E") relate entirely to the Liberia project and consists mainly of 3D seismic of Block LB-13 and capitalized geological and geophysical evaluation work conducted on this block, net of \$1.3 million of E&E derecognized in 2016, further to drilling Mesurado-1 well that was not commercially successful. Currently both partners are evaluating the results from Mesurado-1 drilling and performing further geological and geophysical analysis on the rest of block LB-13.

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
Balance, January 1, 2016	482,339,196	\$ 120,730
Issued pursuant to Non-Brokered Offering	22,857,143	1,163
Issued pursuant to Brokered Offering	101,066,868	5,576
Valuation of Warrants issued from the Offerings	-	(2,800)
Issued pursuant to exercise of Warrants	10,876,143	694
Valuation of Warrants exercised	-	575
Share issue costs	-	(1,064)
Balance, December 31, 2016	617,139,350	\$ 124,874
Balance, March 31, 2017	617,139,350	\$ 124,874

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5. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

All Warrants issued during 2015 and 2016 have exercise price is in CAD or GBP; as the Company's functional currency is USD, these Warrants are classified as a derivative financial instruments. The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of Warrants outstanding as at March 31, 2017:

	2015 Offering Warrants	Non-Brokered Offering Warrants and Finder's Warrants	Brokered Offering Warrants and Agent's Warrants
Risk-free interest rate	0.52%	0.13%	0.63%
Weighted average life (years)	0.2	1.1	1.1
Expected volatility	90%	90%	90%
Expected dividend yield	0%	0%	0%

b) Warrants

A summary of the Company's share purchase warrants outstanding at March 31, 2017 is as follows:

(\$ 000's)	Number of Warrants	Weighted Average Exercise Price*	Fair Value of Warrants	Expiry Date
Balance, January 1, 2016	136,280,968	\$ 0.19	\$ 2,612	July 9 & August 21, 2017
Issued Non-Brokered Warrants	22,857,143	0.07	-	April 28, 2018
Issued Finder's Warrants	1,177,114	0.05	-	April 28, 2018
Issued Brokered Warrants	101,066,868	0.07	-	May 3, 2018
Issued Agents' Warrants	5,233,206	0.06	-	May 3, 2018
Warrants exercised	(10,876,143)	0.07	-	
Expired 2014 Offering Agent Warrants	(888,889)	\$0.22	-	
Balance, December 31, 2016	254,850,267	\$ 0.14	\$ 2,612	
Balance, March 31, 2017	254,850,267	\$ 0.14	\$ 2,612	

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

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.

Canadian Overseas Petroleum Limited
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5. SHARE CAPITAL (continued)

c) Incentive Stock Options (continued)

There were no changes to the Company's stock option plan and no stock options were granted, exercised, expired and/or forfeited during the three months ended March 31, 2017. As at March 31, 2017, a total of 61,005,000 stock options to purchase Common Shares were outstanding, having a weighted average exercise price of \$0.11 per share and a remaining weighted average contractual life of 3.9 years.

(\$ 000's)	Number of Options	Weighted Avg. Exercise Price*	Contributed Capital Reserve
Balance, January 1, 2016	19,315,000	\$ 0.46	\$ 48,014
Granted	52,680,000	0.09	2,097
Expired	(9,490,000)	0.68	-
Forfeited	(1,500,000)	0.35	-
Balance and exercisable December 31, 2016	61,005,000	\$ 0.11	\$ 50,111
Balance and exercisable March 31, 2017	61,005,000	\$ 0.11	\$ 50,111

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

Subsequent to quarter end, on April 30, 2017, 2,800,000 stock options were forfeited.

6. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at March 31, 2017, 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	\$ 1,321	495	826	-	-

The Company is committed under operating lease agreements for the rental of office space in Calgary, Canada. The approximate total lease payments are \$1.3 million and are payable over the next three years.

7. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents, deposits and derivative liability as financial assets and liabilities at fair value through profit and loss and has measured them at fair value. Accounts receivable are classified as loans and receivables; accounts payable and accrued liabilities are classified as other liabilities; these items are measured at amortized cost.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observability of the inputs employed in the measurement:

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. At March 31, 2017, cash and cash equivalents, are valued using Level 1 inputs.

Canadian Overseas Petroleum Limited
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7. FINANCIAL INSTRUMENTS (continued)

Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 2 valuations are based on inputs including quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument. At March 31, 2017, the derivative liability is valued using Level 2 inputs.

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value. At March 31, 2017, the Company did not have any financial assets or liabilities valued using Level 3, and there were no transfers in and out of Level 3 during the three months ended March 31, 2017.

a) Fair values

As at March 31, 2017 and December 31, 2016, 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

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:

	March 31, 2017	December 31, 2016
Great British Pounds	28	27
Canadian Dollars	2,032	3,336

8. NET CHANGE IN NON-CASH WORKING CAPITAL

(\$ 000's)	March 31, 2017	March 31, 2016
Decrease in accounts receivable	\$ 9	\$ 10
Decrease in prepaid expenses	56	59
Increase in operating accounts payable and accrued liabilities	187	233
Net change in operating non-cash working capital	\$ 252	\$ 302