

CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS MARCH 31, 2013

The following is Management's Discussion and Analysis ("MD&A") of the operating and financial results of Canadian Overseas Petroleum Limited, and its wholly owned subsidiaries COPL Technical Services Limited, Canadian Overseas Petroleum (UK) Limited ("COPL UK"), Canadian Overseas Petroleum (Bermuda Holdings) Limited ("COPL Bermuda Holdings"), Canadian Overseas Petroleum (Bermuda) Limited ("COPL Bermuda"), and COPL New Zealand Limited ("COPL New Zealand") (collectively "COPL" or the "Company") as at and for the three months ended March 31, 2013. The information is provided as of May 16, 2013. The results for the three month period ended March 31, 2013 have been compared to the same period of 2012. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2012 and 2011, together with the accompanying notes and the Annual Information Form dated March 28, 2013. These documents and additional information about COPL are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com.

All amounts are presented in Canadian dollars unless otherwise noted.

BUSINESS OF THE COMPANY

Canadian Overseas Petroleum Limited is a publicly traded oil and gas company listed on the TSX Venture Exchange (TSX-V) under the symbol "XOP".

COPL is an international oil and gas exploration and development company currently active in West Africa and New Zealand. Senior management and strategic corporate functions are performed by COPL's head office in Calgary, and geological, geophysical, engineering, accounting and administrative functions are performed by COPL Technical Services Limited. Drilling oversight and some geological functions are provided by COPL UK. COPL Bermuda was incorporated in May 2011 for operations offshore Liberia. On November 8, 2012, COPL New Zealand was incorporated to participate in an exploration licence in New Zealand.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", "potential", "intend", "believe" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Canadian Overseas Petroleum Limited. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in MD&A as at and for the twelve months ended December 31, 2012, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions and weather can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- the Company's current strategy is to establish and grow an oil and gas business in West Africa and (the "Business of the Company", "Overview", "Outlook", and "Liquidity and Capital Resources" sections);
- the Company's ability to raise capital and obtain the financing necessary to develop profitable oil operations (the "Overview", "Outlook" and "Liquidity and Capital Resources" sections);
- the Company's ability to manage its financial and operational risks (the "Overview", "Financial Instruments" and "Liquidity and Capital Resources" sections).

FORWARD-LOOKING INFORMATION (CONTINUED)

The Company's MD&A and AIF for the year ended December 31, 2012 describe major risks, material assumptions and other factors related to forward-looking statements that could influence actual results and are incorporated herein by reference. These risks, assumptions and other factors have been provided for readers to gain a more complete perspective on COPL's future operations. However, readers should be cautioned that the list of factors is not exhaustive and that this information may not be appropriate for other purposes. Forward-looking statements included or incorporated by reference in this MD&A are valid only as at the date of this MD&A, and the Company does not intend to update or revise these forward-looking statements except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW *

In the first quarter of 2013, the Company focused on completing transactions related to the offshore interest in Liberia, performed some geological analysis in respect of its exploration project in New Zealand and evaluated other oil exploration prospects.

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 that are outstanding as at the date of issuing this MD&A:

- \$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.

Financing

On April 15, 2013, the Company filed a preliminary short form prospectus to obtain financing of up to \$25 million for its operations. 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. The net proceeds from the offering of approximately \$22.9 million will be used to pay the Company's obligations in respect of the Liberia transactions (as discussed above); to finance the Company's near term exploration program in New Zealand; and to fund its general and administrative costs and ongoing business development costs.

** This section contains forward-looking information. Please see the "Forward-looking Information" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.*

FINANCIAL SUMMARY

During the first quarter of 2013, the Company focused on finalizing the Liberia transactions, performed some geological analysis in respect of its exploration project in New Zealand and evaluated other oil exploration prospects. Pre-licence costs relating to the Liberia project were \$0.4 million for the three months ended March 31, 2013 compared to \$0.5 million for the three months ended March 31, 2012. The exploration recovery of approximately \$21,000 for the period ended March 31, 2013 relates to recovery of prior year exploration expenses related to the UK Bluebell prospect, compared to approximately \$8.2 million recorded as exploration expenses in the same period in 2012.

General and administrative costs amounted to \$2.0 million for the three months ended March 31, 2013 (net of \$0.2 million of costs allocated to exploration projects) compared to \$1.5 million for the three months ended March 31, 2012 (net of \$0.5 million of costs allocated to exploration projects). The Company recognized interest income of \$5,000 for the three months ended March 31, 2013, compared to \$19,000 for the three months ended March 31, 2012. There was \$Nil in interest expenses for the first quarter of 2013, compared to \$4,000 interest and financing charges recognized for the same period in 2012. A foreign exchange gain of \$268,000 was recorded for the three months ended March 31, 2013, compared to a \$39,000 foreign exchange loss for the three months ended March 31, 2012. As a result, the Company's loss amounted to \$2.0 million for the quarter ended March 31, 2013 compared to a loss of \$10.2 million for the quarter ended March 31, 2012.

As at March 31, 2013, the Company's cash and cash equivalents amounted to \$2.3 million. Cash used in investing activities amounted \$0.3 million for the three months ended March 31, 2013 compared to \$0.4 million for the three months ended March 31, 2012. Cash used in operating activities amounted to \$1.8 million for the three months ended March 31, 2013 compared to \$34.4 million for the same period in 2012.

OUTLOOK *

The Company's strategy is to establish and grow its oil and gas business by farming into and/or acquiring interests in unappraised and/or undeveloped assets.

The Company's short-term operations will focus on:

- working with ExxonMobil to share COPL's geological work;
- closing the proposed public offering to obtain funds for its operation;
- initiating the work programme of the New Zealand project; and
- evaluating opportunities in West Africa and elsewhere.

Currently the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects that, if successful, will require substantial additional financing before they are able to generate positive cash flows. Accordingly, the Company's continued successful operation is dependent on its ability to obtain additional financing. No assurance can be provided that the Company will raise the required levels of financing.

** This section contains forward-looking information. Please see the "Forward-looking Information" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.*

SELECTED ANNUAL INFORMATION**NET INCOME AND CASH FLOWS FROM OPERATING ACTIVITIES**

The following table summarizes the Company's financial results for the three month periods ended March 31, 2013 and 2012:

(\$ 000's) except per share	Three months ended March 31, 2013	Three months ended March 31, 2012
Services to third parties	\$ -	\$ 47
Administrative expenses	1,952	1,538
Exploration (recovery)/expense	(21)	8,223
Pre-license costs	366	457
Interest income	5	19
Foreign exchange gain/(loss)	268	(39)
Loss	(2,039)	(10,208)
Per share loss	\$ (0.01)	\$ (0.04)
Cash used in operating activities	\$ (1,783)	\$ (34,395)
Outstanding common shares at		
March 31	284,016,939	284,016,939
Weighted average - basic	284,016,939	284,016,939

For the three months ended March 31, 2013, the Company recovered \$21,000 of its 2012 exploration expenses as compared to \$8.2 million exploration expenses recorded for the three months ended March 31, 2012. These exploration expenses and cost recovery relate to the UK prospect of Bluebell for which an exploration well was drilled in March 2012 and commercial reserves were not discovered.

Pre-license costs of \$0.4 million for the quarter ended March 31, 2013 (\$0.5 million for the quarter ended March 31, 2012) relate to the Liberia project for which anticipated transactions have not been completed as at March 31, 2013.

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at March 31, 2013 and December 31, 2012:

(\$ 000's) except per share	March 31, 2013	December 31, 2012
Cash and cash equivalents	\$ 2,321	\$ 4,374
Current assets	2,630	4,823
Exploration and evaluation assets	251	-
Deposit for seismic data	15,234	14,924
Current liabilities	3,437	3,194
Share capital	100,768	100,768
Shareholders' equity	\$ 14,935	\$ 16,820

Exploration and evaluation assets of \$0.3 million as at March 31, 2013 relate to the New Zealand project.

The deposit for seismic data relates to Liberian Block LB-13.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company is a TSX Venture issuer that has not had significant revenue from operations in either of its last two financial years. In accordance with National Instrument 51-102, additional disclosure on material costs is presented below.

(\$ 000's)	Three months ended March 31, 2013	Three months ended March 31, 2012
Administrative:		
Payroll and related costs	\$ 656	\$ 649
External directors' fees and related costs	227	159
Consulting services	126	223
Professional services	727	470
Travel expenses	134	146
Office expenses	222	256
Stock exchange and transfer agent fees	37	52
Other general and administrative	35	43
Costs allocated to exploration projects	(212)	(460)
Total administrative	\$ 1,952	\$ 1,538
Capitalized exploration and evaluation costs	\$ 251	\$ 73

FINANCIAL INSTRUMENTS*

The Company's financial instruments consist of cash, short-term deposits, bankers' acceptances, credit card and other deposits, loans, accounts receivable, as well as accounts payable and accrued liabilities. It is management's opinion that the Company is not currently exposed to significant interest and/or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying value.

As the Company's current activities are carried out in Liberia, New Zealand and the UK significant amounts are transacted in or referenced to currencies other than the Canadian dollar, including the British Pound, U.S. dollar and NZ dollar. As a result, fluctuations in the exchange rates between the Canadian dollar, British Pound, U.S. dollar and NZ dollar can have a significant effect on the Company's financial position and its reported results. 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 commitments. No assurance can be given that such management of risk exposure will offset and/or eliminate the foreign exchange fluctuations.

LIQUIDITY AND CAPITAL RESOURCES *

As of March 31, 2013, the Company had a working capital deficit of approximately \$0.8 million, shareholders' equity of \$14.9 million and cash of \$2.3 million.

For the three months ended March 31, 2013, the Company's cash used in operating activities amounted to \$1.8 million, and related mainly to administrative costs and pre-license costs related to the Liberia project.

Currently, the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects that, if successful, will require substantial additional financing before they are able to generate positive cash flows. Accordingly, the Company's continued successful operations are dependent on its ability to obtain additional financing. No assurance can be provided that the Company will raise the required levels of financing.

** This section contains forward-looking information. Please see the "Forward-looking Information" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.*

SELECTED QUARTERLY INFORMATION

Eight Most Recent Quarters:

(\$ 000's)	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Revenue	5	10	34	76
Loss	(2,039)	(3,562)	(39,737)	(3,131)
Loss per share - basic & diluted	(0.01)	(0.20)	(0.14)	(0.01)

(\$ 000's)	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Revenue	66	159	125	118
Loss	(10,208)	(42,097)	(2,208)	(2,224)
Loss per share - basic & diluted	(0.04)	(0.15)	(0.01)	(0.01)

ACCOUNTING PRONOUNCEMENTS*Future Accounting Changes*

Changes to future accounting policies, standards and interpretations, as described in Note 3 of the audited consolidated financial statements as at and for the years ended December 31, 2012 and 2011 as well as Note 2 of the unaudited consolidated financial statements as at and for the three month periods ended March 31, 2013 and 2012, have not materially changed since December 31, 2012.

Critical Accounting Estimates

Management is required to make judgements, assumptions and estimates in applying the Company's accounting policies and practices, which may have a significant impact on the financial results reported by the Company. The amounts recorded in respect of stock options and share purchase warrants granted are based on the Company's estimation of their fair value, calculated using assumptions regarding the life of the option/warrant, interest rates and volatility. By their nature, these estimates and assumptions are subject to uncertainty, and the actual fair value of option/warrant may differ at any time.

DIRECTORS

Arthur S. Millholland, P.Geol. - President and Chief Executive Officer
Christopher McLean - Chief Financial Officer
Harald Ludwig - Director
Massimo Carello - Director
Rick Schmitt - Director
William Astor - Director

OFFICERS

Arthur S. Millholland, P.Geol. - President and Chief Executive Officer
Christopher McLean - Chief Financial Officer
Aleksandra Owad, CGA, FCCA (UK) - Chief Accounting Officer
Rod Christensen, P.Geol. - Vice President, Exploration and Exploitation

Faralee A. Chanin, LL.B., M.B.A. - Corporate Secretary