CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 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 and nine month periods ended September 30, 2013. The information is provided as of November 15, 2013. The results for the three and nine month periods ended September 30, 2013 have been compared to the same periods 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 – MANAGEMENT

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 focused on oil and gas exploration activities offshore of the Republic of Liberia, onshore New Zealand and elsewhere. In 2013, the Company acquired an interest in a production sharing contract from the government of the Republic of Liberia that includes a world class exploration project in the West Africa Transform margin and provides the partners the exclusive right to explore for and develop the resources within. COPL also has acquired exploration acreage with shale oil potential on the north island of 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 INFORMATION (CONTINUED)

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

- the Company's current strategy to establish and grow an oil and gas business (the "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); and
- the Company's ability to manage its financial and operational risks (the "Overview", "Financial Instruments" and "Liquidity and Capital Resources" sections).

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 third quarter of 2013, the Company continued working with its joint venture partners on technical analysis and review related to the offshore interest in Liberia, performed some geological analysis in respect of its exploration project in New Zealand and evaluated other oil and gas prospects.

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, failing which an interest in the license was to be transferred to ExxonMobil. The Company did not make the payment of USD$7.2 million to ExxonMobil and 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.

Loss on UK Contracts - Dispute with BG

In 2011 and 2012, the Company recognized a loss on UK contracts of approximately $38.1 million related to a termination of a Sale and Purchase Agreement ("SPA") with BG International Limited ("BG") in respect of Block 23/21 Rest of Block Shallow ("RoB') (Newt, Lower Toad, West Columbus and Upper Toad prospects) and Block 22/15 (the Esperanza prospect and Banks discovery). In addition in 2012, the Company had written-off cash held in escrow with BG (as part of SPA with BG) of approximately $16.1 million, further to the UK High Court of Justice ruling for the escrow agent to release the funds to BG. Since then, both parties have been in dispute, with claims and counter-claims being filed with Court.

During the quarter, the Company and BG signed a Settlement Deed and Release agreement which confirmed that the parties had reached a full and final settlement of the dispute and agreed to dismiss legal proceedings. As a result, the Company has no further costs/losses to be recognized in respect of the dispute with BG, other than the Company's legal expenses related to the dispute and the settlements, which are already included in general and administrative costs for the period ended September 30, 2013.

Financing

On July 4, 2013, the Company filed a short form prospectus for public offering (the "Offering") of its common shares at a price of $0.20 per share to raise a financing of a minimum $6.0 million and up to maximum of $10.0 million of gross proceeds. The closing of the offering took place in two parts, as follows:

- on July 25, 2013, the Company closed the Offering of 30,000,000 common shares issued at $0.20 per share for gross proceeds of $6.0 million, and
- on August 28, 2013, the Company closed the Offering of 12,311,000 common shares issued at $0.20 per share for gross proceeds of approximately $2.5 million.

The agents were paid cash commission of approximately $0.6 million, representing 6.5% of the gross proceeds of the Offering. Other expenses related to the Offering amounted to approximately $0.4 million. The net proceeds of the Offering of approximately $7.5 million will be used mainly to finance the Company's general and administrative 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 third quarter of 2013, the Company performed some geological analysis in respect of its exploration project in New Zealand and evaluated other oil and gas prospects in various locations. Pre-licence costs relating to the Liberia project were approximately $nil and $0.4 million for the three and nine month periods ended September 30, 2013 compared to $0.3 million and $1.7 million for the three and nine month periods ended September 30, 2012, respectively. The exploration recovery of approximately $nil and $72,000 for the three and nine month periods ended September 30, 2013 relates to recovery of prior year exploration expenses related to the UK Bluebell prospect, compared to approximately $0.2 million exploration recovery and $8.2 million recorded as exploration expenses in the same period in 2012, respectively.

General and administrative costs were lower than prior periods at $1.4 million and $5.2 million for the three and nine month periods ended September 30, 2013 (net of $0.1 million and $0.5 million of costs allocated to exploration projects, respectively) compared to $2.4 million and $6.0 million for the three and nine month periods ended September 30, 2012 (net of $21,000 and $0.6 million of costs allocated to exploration projects, respectively) mainly due to reduced consulting and professional services as well as the change in composition of the board of directors. The Company recognized interest income of $5,000 and $12,000 for the three and nine month periods ended September 30, 2013, compared to $15,000 and $47,000 for the three and nine month periods ended September 30, 2012, respectively. There was nil interest expense for the three quarters of 2013, compared to $nil for the three month period and $10,000 for the nine month period ended September 30, 2012. A foreign exchange loss of $0.2 million and gain of $0.3 million were recorded for the three and nine month periods ended September 30, 2013, compared to a $0.2 million and $0.1 million foreign exchange loss for the same periods ended September 30, 2012, respectively. As a result, the Company's loss amounted to $1.6 million and $5.3 million for the three and nine month periods ended September 30, 2013 compared to losses of $39.7 million and $53.1 million for the same periods in 2012.

As at September 30, 2013, the Company's cash and cash equivalents amounted to $5.2 million. Cash used in investing activities amounted $0.8 million for the nine months ended September 30, 2013 compared to $1.4 million received for the nine months ended September 30, 2012. Cash used in operating activities amounted to $5.9 million for the nine months ended September 30, 2013 compared to $63.7 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, exploration, unappraised and/or undeveloped assets.

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

- working with ExxonMobil to share COPL's geological work;
- evaluating the New Zealand property; 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.

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SELECTED ANNUAL INFORMATION

NET INCOME AND CASH FLOWS FROM OPERATING ACTIVITIES

The following table summarizes the Company's financial results for the three and nine month periods ended September 30, 2013 and 2012:

($ 000's) except per share	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Services to third parties	**$ -**	$ 19	**$ -**	$ 129
E&E write-off	**-**	20,908	**-**	20,908
Derecognition of cash held in escrow	**-**	16,101	**-**	16,101
Administrative expenses	**1,351**	2,364	**5,234**	6,046
Exploration (recovery)/expense	**-**	(210)	**(72)**	8,234
Loss on UK contracts	**-**	103	**-**	114
Pre-license costs	**-**	313	**433**	1,659
Interest income	**5**	15	**12**	47
Foreign exchange (loss)/gain	**(244)**	(179)	**343**	(141)
Loss	**(1,606)**	(39,737)	**(5,286)**	(53,076)
Per share loss	**$ (0.01)**	$ (0.14)	**$ (0.02)**	$ (0.19)
Cash used in operating activities	**$ (2,510)**	$ (17,800)	**$ (5,859)**	$ (63,655)
Outstanding common shares at September 30	***326,327,939***	*284,016,939*	***326,327,939***	*284,016,939*
Weighted average - basic	***310,280,667***	*284,016,939*	***292,867,719***	*284,016,939*

For the three and nine month periods ended September 30, 2013, the Company recovered $nil and $72,000 of its 2012 exploration expenses compared to a recovery of $0.2 million and exploration expenses of $8.2 million recorded for the same periods in 2012, respectively. These exploration expenses and cost recovery relate to the UK prospect Bluebell for which an exploration well was drilled in March 2012 and commercial reserves were not discovered.

Pre-licence costs of $nil and $0.4 million for the three and nine month periods ended September 30, 2013 ($0.3 million and $1.7 million for the same periods in 2012) relate to the Liberia project for which transactions were completed in April of 2013.

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at September 30, 2013, June 30, 2013, March 31, 2013 and December 31, 2012:

($ 000's) except per share	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Cash and cash equivalents	**$ 5,169**	$ 654	$ 2,321	$ 4,374
Current assets	**5,784**	870	2,630	4,823
Exploration and evaluation assets	**16,322**	16,463	251	-
Deposit for seismic data	**-**	-	15,234	14,924
Current liabilities	**3,253**	4,175	3,437	3,194
Share capital	**108,229**	100,768	100,768	100,768
Shareholders' equity	**$ 19,092**	$ 13,408	$ 14,935	$ 16,820

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Exploration and evaluation assets of $0.3 million relate to the New Zealand project and $16.0 million relate to the Liberia project as at September 30, 2013 (which as at March 31, 2013 and December 31, 2012 was classified as a deposit for seismic data of $15.2 million and $14.9 million, respectively).

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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Administrative:				
Payroll and related costs	**$ 732**	$ 675	**$ 2,076**	$ 2,028
External directors' fees and related costs	**114**	172	**513**	517
Consulting services	**30**	166	**351**	625
Professional services	**(60)**	801	**1,200**	2,019
Travel expenses	**146**	156	**442**	417
Office expenses	**263**	201	**722**	710
Stock exchange and transfer agent fees	**3**	1	**70**	51
Other general and administrative	**241**	213	**323**	316
Costs allocated to exploration projects	**(118)**	(21)	**(463)**	(637)
Total administrative	**$ 1,351**	$ 2,364	**$ 5,234**	$ 6,046
Capitalized exploration and evaluation costs	**$ 216**	$ -	**$ 15,814**	$ -
Net effect of foreign exchange	**(357)**	-	**508**	-
Total Capitalized exploration and evaluation costs	**$ (141)**	$ -	**$ 16,322**	$ -

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-tem 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 September 30, 2013, the Company had a working capital of approximately $2.5 million, shareholders' equity of $19.1 million and cash of $5.2 million.

For the three and nine months ended September 30, 2013, the Company's cash used in operating activities amounted to $2.5 million and $5.9 million, and related mainly to administrative costs.

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.

On August 28, 2013, the Company closed a short form prospectus offering of 12,311,000 common shares issued at $0.20 per share for gross proceeds of approximately $2.5 million. The agents' commission was 6.5% of the gross proceeds of the offering. Other expenses related to the offering are estimated at $0.1 million. The net proceeds of approximately $2.2 million will also be used mainly to finance the Company's general and administrative costs.

On October 24, 2013 the Company entered into a shares for debt agreement (the "Agreement") with a service provider/creditor (the "Creditor"). Pursuant to the Agreement the Company will issue to the Creditor an aggregate of 7,389,781 common shares in the capital of the Company ("Shares") at a deemed price of $0.245 per Share, the volume weighted average price on that date. The total amount to be settled by the Agreement is approximately $1.8 million, which includes the outstanding balance due to the Creditor in accounts payable as at September 30, 2013 of approximately $1.5 million. The Company decided to satisfy this outstanding indebtedness with common shares to preserve its cash for operations. Shares issued to the Creditor will be subject to a four-month hold period from the settlement date.

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.

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SELECTED QUARTERLY INFORMATION

Eight Most Recent Quarters:

($ 000's)	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Revenue	5	2	5	10
Loss	(1,606)	(1,641)	(2,039)	(3,562)
Loss per share - basic & diluted	(0.01)	(0.01)	(0.01)	(0.01)

($ 000's)	September 30, 2012	June 30, 2012	March 31, 2012	December 30, 2011
Revenue	34	76	66	159
Loss	(39,737)	(3,131)	(10,208)	(42,097)
Loss per share - basic & diluted	(0.14)	(0.01)	(0.04)	(0.15)

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 and nine month periods ended September 30, 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 - President and Chief Executive Officer
Christopher McLean - Chief Financial Officer
Harald Ludwig
Massimo Carello
Rick Schmitt
Viscount William Astor

OFFICERS

Arthur S. Millholland, P.Geol. - President and Chief Executive Officer
Christopher McLean - Chief Financial Officer
Rod Christensen, P.Geol. - Vice President, Exploration and Exploitation

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