CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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"), COPL New Zealand Limited ("COPL New Zealand"), Canadian Overseas Petroleum (Nigeria) Limited ("COPL Nigeria") and Canadian Overseas Petroleum (Namibia) Limited ("COPL Namibia"), (collectively "COPL" or the "Company") as at and for the year ended December 31, 2014. The information is provided as of March 26, 2015. The results for the year ended December 31, 2014 have been compared to the same periods of 2013. 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, 2014 and 2013, together with the accompanying notes and the Annual Information Form dated March 26, 2015. 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" and the London Stock Exchange (LSE) under the symbol "COPL".

COPL is an international oil and gas exploration and development company with sub-Saharan West Africa focus. The Company holds a 17% working interest in Block LB-13, offshore Liberia, with ExxonMobil Exploration and Production Liberia Limited ("ExxonMobil"), the operator, holding an 83% working interest. The Company also has a joint venture with Shoreline Energy International Limited ("Shoreline"), in line with the Company's strategy to diversify and balance its asset portfolio to generate stable cash flow from secure assets. This joint venture is focused on acquiring upstream oil and gas exploration, development and producing assets in sub-Saharan Africa, and has taken positions in Tanzania and Namibia while it continues to evaluate a variety of assets in Nigeria, Ghana and Mozambique.

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. COPL Nigeria was incorporated October 16, 2013 for the future participation in Nigerian opportunities. Canadian Overseas Petroleum (Namibia) was incorporated on October 24, 2014 for future participation in Namibian opportunities. Shoreline Canoverseas Petroleum Development Corporation Limited ("ShoreCan") was incorporated on October 24, 2014 with its partner Shoreline Energy International Limited.

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, 2014, 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);
- the Company's assumptions in respect of the calculation of stock-based compensation and valuation of warrants (the "Stock-Based Compensation Expense" section); and
- the Company's ability to manage its financial and operational risks (the "Overview", "Financial Instruments", "Commitments and Contractual Obligations" and "Liquidity and Capital Resources" sections).

The Company's MD&A and AIF for the year ended December 31, 2014 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 2014, the Company continued working with ExxonMobil on technical analysis and review related to the offshore interest in Liberia. The Company also spent considerable effort identifying, evaluating, and pursuing exploration and development opportunities in Nigeria, Namibia, Ghana, Gabon, Equatorial Guinea and Mozambique. The Company is focused on offshore opportunities that its seasoned technical team has strength in evaluating and developing.

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. 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 holds a 17% working interest in Block LB-13, with the remaining 83% being held by ExxonMobil, who is the operator under this license. As previously announced, the Company's share of all joint interest costs and the gross drilling costs up to USD $120 million is carried by ExxonMobil.

The Company and ExxonMobil remain committed to completing the work program and obligations for the Block LB-13 project when the situation in Liberia improves. Drilling on Block LB-13 has been delayed due to the Ebola virus outbreak in the region, resulting in a reduced presence of expatriates in the country. The Company will provide further information as future events may require.

OVERVIEW * (CONTINUED)

Expansion of sub-Saharan Portfolio

As part of the Company's stated strategy to expand its interests in sub-Saharan Africa in order to generate stable cash flow from secure assets, the Company continues to assess opportunities in Nigeria.

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.

On February 20, 2015, ShoreCan entered into a commercial acquisition, ratified by the Ministry of Energy in Namibia, of an 80% interest in three blocks offshore Namibia. The blocks are defined as 1708, 1808 and 1709. Situated north of the Walvis ridge on the Namibian/Angolan border, they are deepwater blocks that ShoreCan will commence geological and geophysical evaluations on.

On March 4, 2015, the Company's joint venture ShoreCan entered into a farm-in option agreement to acquire a 60% participating interest in the Petroleum Exploration License and Petroleum Agreement with respect to the Kimbiji and Latham offshore Blocks in Tanzania. Identified as the Latham License Area and the Kimbiji License Area, they extend from the shore to offshore depths of approximately 500 to 1000 meters. On exercise of the option and receipt of approval from the Tanzanian authorities, ShoreCan will assume operatorship of the offshore blocks. Currently ShoreCan is evaluating the historic 2D seismic and regional information.

As well, the ShoreCan continues to hold its bid open as the operator of a consortium for a block in the offshore waters in the Republic of Ghana. As more developments occur the Company intends to update the market on its activities.

New Zealand

During 2014, the Company had commitments of $1.7 million related to a minimum work program to be carried out by October 31, 2014, under a 50% exploration license in New Zealand and acted as a guarantor of its partner's commitments (the remaining 50%) in this New Zealand license. On November 1, 2014, the minimum work commitments on the exploration asset had not been met by the Company or its partner. The Company and its partner entered into a settlement agreement effective August 29, 2014, whereby the Company's interest share was transferred back to the partner and any and all claims the partner may or may not have arising from the failure of the Company to finance its share of the work programme were settled. A consequence of that settlement is that the Company's share of the license interest was transferred back to the partner. There are no further financial penalties or commitments due to the New Zealand government or the partner, relative to this asset. Payables of $82,000 previously recognized and due to the Company's partner were written off and the balance of previously capitalized evaluation and exploration assets of $665,000 were derecognized.

On February 23, 2015, the Company resolved to remove COPL New Zealand Limited from the New Zealand Register of Companies as the company ceased to carry on business, had discharged in full the liabilities to all its known creditors, and distributed its surplus assets in accordance with its constitution and section 318(1)(d)(i) of the Companies Act 1993.

OVERVIEW * (CONTINUED)

Financing

On April 3, 2014, the Company closed a prospectus relating to its admission to the standard listing segment of the Official List, and to trading on the main market for listed securities of the London Stock Exchange. The Company issued 17,777,777 common voting shares ("Common Shares") at a price of GBP 0.135 ($0.247) for gross proceeds of GBP 2.4 million ($4.4 million). The agents were paid cash commission and fees of GBP $0.3 million ($0.5 million) representing 5.0% of the gross proceeds of the public offering. Other expenses related to the public offering amounted to approximately $1.1 million. The Company also issued 888,889 share purchase warrants ("Warrants") to its agent as compensation Warrants in an amount equal to 5.0% of the aggregate number of Common Shares issued pursuant to the offering. Each Warrant entitles the holder to purchase one Common Share of COPL for the period until April 4, 2016, at an exercise price of GBP 0.135 ($0.247). The fair value of the Warrants issued was recognized as share issue costs and estimated at $0.1 million using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's Condensed Consolidated Financial Statements for the years ended December 31, 2014 and 2013).

On August 21, 2014, the Company closed a short form prospectus in connection with a marketed offering of units of the Company (the "Units"). Each Unit consisted of one Common Share in the capital of the Company and one share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.40 per Common Share on or before the date that is 36 months following the closing date. The Company issued 50,555,000 Units at a price of $0.20 per Unit, for aggregate proceeds of approximately $10.1 million pursuant to the offering. The agents were paid a cash commission $0.1 million as well asf $0.5 million representing 5.0% of the gross proceeds. Other expenses related to the offering of Units amounted to approximately $0.5 million. The fair value of the Warrants issued was netted against proceeds from share capital and estimated at $2.9 million using a Black-Scholes option pricing model (assumptions used for the model are discussed in the notes accompanying the Company's Consolidated Financial Statements for years ended December 31, 2014 and 2013).

**** 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

In 2014, the Company performed geological analysis in respect of its exploration projects in Liberia and Nigeria. Pre-licence costs were $0.6 million for year ended December 31, 2014 compared to $0.5 million for year ended December 31, 2013.

General and administrative costs were lower than the prior period at $7.2 million for the year ended December 31, 2014 (net of $0.6 million of costs allocated to exploration projects) compared to $7.9 million for the year ended December 31, 2013 (net of $1.1 million of costs allocated to exploration projects). The Company recognized interest income of approximately $32,000 for the year ended December 31, 2014, compared to $25,000 for the year ended December 31, 2013. A foreign exchange gain of $1.3 million was recognized for the year ended December 31, 2014, compared to a foreign exchange gain of $0.8 million in 2013. As a result, the Company's loss amounted to $7.1 million for the year ended December 31, 2014 compared to losses of $9.1 million in 2013.

As at December 31, 2014, the Company's cash and cash equivalents amounted to $5.5 million. Cash used in investing activities amounted $0.6 million for the year ended December 31, 2014 compared to $1.4 million for the year ended December 31, 2013. Cash used in operating activities amounted to $8.3 million for the year ended December 31, 2014 compared to $8.0 million for the same period in 2013. Cash provided from financing activities amounts to $11.9 million for the year ended December 31, 2014 compared to $7.4 million for the year ended December 31, 2013.

OUTLOOK *

The Company's strategy is to 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 progress the planning of future drill locations in Liberia; and
- working to successfully conclude the variety of new opportunities available in sub-Saharan Africa including Nigeria, Tanzania, Namibia, Ghana, Gabon and Equatorial Guinea.

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

RESULTS OF OPERATIONS

The Company has not had significant revenue from operations in any of its last three financial years. The following table summarizes the Company's financial results for the years ended December 31 2014, 2013 and 2012:

($ 000's) except per share	2014	2013	2012
Services to third parties	**$ -**	$ -	$ 129
E&E write-off	**-**	-	20,954
Exploration (recovery)/expense	**(2)**	(72)	8,455
Derecognition of exploration and evaluation assets	**665**	-	-
Pre-license costs	**607**	529	2,170
Administrative expenses	**7,180**	7,858	8,825
Loss on UK contracts	**-**	-	182
Derecognition of cash held in escrow	**-**	-	16,101
Stock-based compensation	**-**	1,499	-
Interest income	**32**	25	57
Interest and financing charges	**-**	-	11
Foreign exchange gain/(loss)	**1,308**	779	(72)
Loss	**(7,148)**	(9,073)	(56,638)
Per share loss	**$ (0.02)**	$ (0.03)	$ (0.20)
Outstanding common shares at December 31	***402,050,497***	*333,717,720*	*284,016,939*
Weighted average - basic	***365,248,721***	*301,868,415*	*284,016,939*
Cash used in operating activities	**$ 8,271**	$ 8,012	$ 66,251

E&E Write-Off

In 2012, the Company wrote off exploration and evaluation assets of $21.0 million related to the UK Fulla exploration project of Block 206/5a in the UK North Sea.

RESULTS OF OPERATIONS (CONTINUED)

Exploration Expenses

For the year ended December 31, 2014, exploration costs were $nil, a recovery of $72,000 in 2013 and costs of $8.5 million in 2012 related to the UK Bluebell prospect for which an exploration well was drilled in March 2012 and commercial reserves were not discovered.

Derecognition of Exploration and Evaluation Assets

During the year ended December 31, 2014, the balance of previously capitalized evaluation and exploration assets of $665,000 were written off against the New Zealand project (discussed in the "New Zealand" section) as the minimum work commitments on the exploration asset had not been met by the Company or its partner. There are no further financial penalties or commitments relative to this asset after that date.

Pre-Licence Costs

For the year ended, December 31, 2014, pre-license costs of $0.6 million related to $0.3 million for areas in West Africa (discussed in the "Expansion of West Africa Portfolio" section), and $0.3 million for the Liberia project. Pre-licence costs of $0.5 million for the year ended December 31, 2013, related to the Liberia project for which transactions were completed in April of 2013 (discussed in the "Liberia" section).

Administrative Expenses

A breakdown of administrative expenses are as follows:

($ 000's)	2014	2013
Administrative:		
Payroll and related costs	**$ 2,800**	$ 3,408
External directors' fees and related costs	**676**	748
Consulting services	**1,033**	436
Professional services	**655**	2,150
Travel expenses	**828**	638
Office expenses	**924**	975
Stock exchange and transfer agent fees	**146**	72
Other general and administrative	**729**	496
Costs allocated to exploration Projects	**(611)**	(1,065)
Total administrative	**$ 7,180**	$ 7,858

Administrative expenses amounted to $7.2 million for the year ended December 31, 2014, compared to $7.9 million for the year ended December 31, 2013, and are presented net of costs allocated to exploration projects which amounted to $0.6 million in 2014 and $1.1 million in 2013. The decrease in administration costs is due to higher professional service fees during 2013 related to the dispute with BG International Limited ("BG") in respect of Block 23/21 Rest of Block Shallow and Block 22/15. During the third quarter of 2013, 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, thus the Company has no similar professional service fees to be recognized in 2014. The decrease was offset by an increase in consulting fees related to financings during the year, as well as increased travel expenses related to international travel for current new business projects.

RESULTS OF OPERATIONS (CONTINUED)

Loss on UK Contracts and Derecognition of Cash Held in Escrow

In 2012, the Company recognized a loss on UK contracts of approximately $0.2 million related to a Sale and Purchase Agreement ("SPA") with BG in respect of Block 23/21 Rest of Block Shallow (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 the 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.

During the third quarter of 2013, the Company and BG signed the Settlement Deed and Release agreement confirming full and final settlement of the dispute by both parties and dismissal of 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 included in general and administrative costs for the period ended December 31, 2013.

Stock-Based Compensation Expense*

The Company has a stock option plan where the number of common shares reserved under the plan shall not exceed 10% of issued and outstanding common shares and the number reserved for any one individual may not exceed 5% of the issued and outstanding shares. The board of directors approved a Performance Share Unit Plan ("the Plan") on April 15, 2014, whereby a maximum of 5,000,000 common shares of the Company may be issuable to officers, employees and consultants of the Company and its subsidiaries under the same terms as the stock option plan.

Exercise prices for stock options granted are determined by the closing market price on the day before the date of grant. The fair value of each option granted is estimated on the date of grant using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013).

On November 19, 2013 the Company granted to its directors, officers, employees and consultants 11,025,000 stock options to acquire common shares at an exercise price of $0.23 which vested immediately and expire five years from date of grant.

Further to the provisions of the Company's stock option plan, 3,255,000 stock options were forfeited in 2014, 270,000 in 2013 and 1,500,000 in 2012 as they were granted to employees no longer providing services to the Company.

Stock-based compensation expense of $nil million was recognized for the year ended December 31, 2014 (2013 - $1.5 million).

There were no stock options or common shares under the Plan issued during the year ended December 31, 2014, and no stock options were exercised during the years ended December 31, 2014 and 2013.

**** 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.***

Interest Income and Financing Charges

Interest income of $32,000 for the year ended December 31, 2014 compared to $25,000 for the year ended December 31, 2013. The interest income relates to interest earned on cash held at banks.

Interest and financing charges recognized in the consolidated statement of comprehensive loss of $nil for the year ended December 31, 2014 and 2013, compared to $11,000 for the same period in 2012, related to financing fees charged by joint venture partners in the UK in the normal course of operations.

RESULTS OF OPERATIONS (CONTINUED)

Foreign Exchange Gain

A foreign exchange gain of $1.3 million was recognized for the year ended December 31, 2014 (2013 - $0.8 million gain), and related mainly to gains on translation of capitalized exploration and evaluation costs in 2014 and the translation of cash and cash equivalents kept in currencies other than Canadian dollars in 2013.

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at December 31, 2014, December 31, 2013, and January 1, 2013:

($ 000's) except per share	December 31, 2014	December 31, 2013	January 1, 2013
Cash and cash equivalents	**$ 5,458**	$ 2,384	$ 4,374
Exploration and evaluation assets	**18,915**	17,502	-
Deposit for seismic data	**-**	-	14,924
Total assets	**25,172**	20,515	20,014
Share capital	**(118,946)**	(110,020)	(100,768)
Shareholders' equity	**$ (23,505)**	$ (18,656)	$ (16,820)

Cash and Cash Equivalents

The increase in cash and cash equivalents of $3.1 million during 2014 relates mainly to proceeds from shares issued pursuant to public offerings in 2014 (discussed further in the "Liquidity and Capital Resources" section) offset by administrative costs, as well as investing activities and pre-license costs.

Exploration and Evaluation Assets

Exploration and evaluation assets of $18.9 million relate to the Liberia project as at December 31, 2014 compared to $17.5 million as at December 31, 2013. During the year ended December 31, 2014, the balance of previously capitalized evaluation and exploration assets of $665,000 were written off against the New Zealand project as the minimum work commitments on the exploration asset had not been met by the Company or its partner.

($ 000's)	2014	2013
Capitalized exploration and evaluation costs	**$ 18,076**	$ 16,792
Net effect of foreign exchange	**1,504**	710
Exploration and evaluation written off	**(665)**	-
Total capitalized exploration and evaluation costs	**$ 18,915**	$ 17,502

Deposit for Seismic Data

The deposit for seismic data related to the purchase of Block LB-13 offshore Liberia which was completed and closed during the year ended December 31, 2013 and was reclassified as an addition to exploration and evaluation assets.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Total Assets

Total assets increased by $4.7 million from $20.5 million at December 31, 2013 to $25.2 million as at December 31, 2014. This increase is a result of the $3.1 million increase in cash and cash equivalents and the increase in the value of the capitalized exploration and evaluation assets.

Share Capital and Shareholders' Equity

The increase in share capital of $8.9 million from 2013 relates to a public offering on April 3, 2014 whereby 17.8 million shares were issued for proceeds of GBP 2.4 million ($4.4 million) and a public offering on August 21, 2014 whereby 50.6 million units of the Company, whereby each unit consisted of one common share and one share purchase warrant were issued for gross proceeds of $10.1 million. The value of these units was allocated to share capital and warrants using a Black-Scholes option pricing model (assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at and for the years ended December 31, 2014 and 2013.

As at March 26 2015, the Company had 402,050,497 Class "A" common voting shares outstanding.

SELECTED QUARTERLY INFORMATION

Eight Most Recent Quarters:

($ 000's)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Revenue	18	7	1	6
Loss	(1,981)	(2,199)	(1,976)	(992)
Loss per share - basic & diluted	(0.00)	(0.01)	(0.01)	(0.00)

($ 000's)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenue	13	5	2	5
Loss	(3,787)	(1,606)	(1,641)	(2,039)
Loss per share - basic & diluted	(0.01)	(0.01)	(0.01)	(0.01)

The 2014 quarterly losses mainly represent the Company's administrative, pre-license costs and fluctuating foreign exchange gains and losses. The reduction in the loss for the first quarter of 2014 compared to the second quarter of 2014 was a result of a $0.6 million foreign exchange gain in the first quarter compared to a loss of $0.5 million in the second quarter. During the third quarter of 2014, the Company derecognized previously capitalized evaluation and exploration assets of $0.7 million related to its New Zealand license which was offset by a foreign exchange gain of $0.7 million. Administrative expenses in the third quarter of 2014 were higher due to increased consulting fees related to financing and international travel for new business projects. During the fourth quarter of 2014, net loss was down due to the absence of the derecognition of the exploration and evaluation expense, offset by an increase in administrative expenses due to increased professional fees as well as international travel for new business projects.

The 2013 quarterly losses mainly represent the Company's administrative, pre-license costs and fluctuating foreign exchange gains and losses. Pre-licence costs of $0.4 million were expensed related to the Liberia project in the first quarter of 2013, compared to nil incurred in subsequent quarters. The third quarter saw a reduction in the administration costs due to reduced consulting and professional services as well as a change in the composition of the board. This was offset by foreign exchange fluctuations resulting in a foreign exchange loss for the third quarter. In addition, during the fourth quarter of 2013, $1.5 million of stock-based compensation expense was recognized in relation to stock options granted to the Company's directors, officers, employees and consultants (see "Share Capital" Section).

TRANSACTIONS WITH RELATED PARTIES

TRANSACTIONS WITH DIRECTORS AND OFFICERS

Transactions with the Company's directors and officers in the form of consulting services occurred in the normal course of business and have been recorded at exchange amounts based on commercial rates and terms agreed to in the related consulting contracts. The expense and payables related to consulting services provided by directors and officers during the year ended December 31 are as follows:

In $ 000's	**2014**	2013
Consulting fees	**$ -**	$ 29

As at December 31, 2014, accounts due from related parties amounted to $74,000 (December 31, 2013 - $35,000), which represented travel advances, with $nil payable to related parties (December 31, 2013 - $3,000) for outstanding travel expenses.

REMUNERATIONS OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The key management personnel of the Company are comprised of executives of the Company and members of its board of directors. The remuneration of directors and key management personnel during the year ended December 31 is as follows:

In $ 000's	**2014**	2013
Short-term benefits	**$ 1,986**	$ 2,453
Stock-based compensation	**-**	1,191
	$ 1,986	$ 3,644

Short-term benefits include annual salaries, directors' fees and health and other taxable benefits.

Stock-based compensation relates to stock options granted during the year and represents the fair value of options granted using a Black-Scholes option pricing model as at the date of grant (discussed in Note 7 of the Company's consolidated financial statements for the year ended December 31, 2014).

LOAN TO KEY MANAGEMENT PERSONNEL

During the year ended December 31, 2014 the Company provided a non-recourse interest bearing loan to a member of key management personnel. The balance receivable at December 31 is as follows:

($ **000's**)	**2014**	2013
Loan receivable	**$ 12**	$ 24

The loan receivable is payable in twenty four equal monthly instalments bearing interest at the prescribed Canada Revenue Agency rates, which ranged from 1% to 2% during the year ended December 31, 2014. The loan will be fully repaid on January 2016

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, accrued liabilities and derivative liability. 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 and the UK, significant amounts are transacted in or referenced to currencies other than the Canadian dollar, including the British Pound and U.S. dollar. As a result, fluctuations in the exchange rates between the Canadian dollar, British Pound and U.S. 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.

**** 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.***

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common and preferred shares.

As at December 31, 2014, there were 402,050,497 common shares issued and outstanding.

As at December 31, 2014, the Company also had the following outstanding securities other than common shares:

- 28,065,000 stock options issued and outstanding to purchase common shares with an average exercise price of $0.49 per share and a remaining contractual life of one to four years; and
- 51,443,889 share purchase warrants issued and outstanding to purchase common shares with an average exercise price of $0.40 per share and a remaining contractual life of two to three years.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS*

As at December 31, 2014, the Company has the following commitments:

In $ 000's	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
Office lease	**3,644**	741	1,482	1,421	-

The Company is committed under an operating lease agreement for the rental of office space in Calgary and Aberdeen, UK. The approximate lease payments total $3.6 million and are payable over the next five years.

**** 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.***

SUBSEQUENT EVENTS

On February 12, 2015, Canadian Overseas Petroleum (Nigeria) Limited was dissolved and removed from the Register of Companies in Bermuda, as the company ceased to carry on business, had discharged in full the liabilities to all its known creditors, and distributed its surplus assets in accordance with the Companies Act 1981.

On February 20, 2015, ShoreCan entered into a commercial acquisition, ratified by the Ministry of Energy in Namibia, of an 80% interest in three blocks offshore Namibia. The blocks are defined as 1708, 1808 and 1709. Situated north of the Walvis ridge on the Namibian/Angolan border, they are deepwater blocks that ShoreCan will commence geological and geophysical evaluations on.

On February 23, 2015, the Company resolved to remove COPL New Zealand Limited from the New Zealand Register of Companies as the company ceased to carry on business, had discharged in full the liabilities to all its known creditors, and distributed its surplus assets in accordance with its constitution and section 318(1)(d)(i) of the Companies Act 1993.

On March 4, 2015, the Company's joint venture ShoreCan entered into a farm-in option agreement to acquire a 60% participating interest in the Petroleum Exploration License and Petroleum Agreement with respect to the Kimbiji and Latham offshore Blocks in Tanzania. Identified as the Latham License Area and the Kimbiji License Area, they extend from the shore to offshore depths of approximately 500 to 1000 meters. On exercise of the option and receipt of approval from the Tanzanian authorities, ShoreCan will assume operatorship of the offshore blocks. Currently ShoreCan is evaluating the historic 2D seismic and regional information.

LIQUIDITY AND CAPITAL RESOURCES *

As of December 31, 2014, the Company had a working capital of approximately $4.4 million, shareholders' equity of $23.5 million and cash of $5.5 million.

For the year ended December 31, 2014, the Company's cash used in operating activities amounted to $8.3 million compared to $8.0 million for the year ended December 31, 2013, and related mainly to administrative costs as well as pre-license costs related to the Liberia project.

On April 3, 2014, the Company closed a prospectus relating to its admission to the standard listing segment of the Official List, and to trading on the main market for listed securities of the London Stock Exchange. The Company issued 17,777,777 Common Shares at a price of GBP 0.135 ($0.247) for gross proceeds of GBP 2.4 million ($4.4 million). The agents were paid cash commission and fees of GBP $0.3 million ($0.5 million) representing 5.0% of the gross proceeds of the public offering. Other expenses related to the public offering amounted to approximately $1.1 million. The Company also issued 888,889 share purchase warrants to its agent as compensation warrants in an amount equal to 5.0% of the aggregate number of Common Shares issued pursuant to the offering. Each Warrant entitles the holder to purchase one Common Share of COPL for the period until April 4, 2016, at an exercise price of GBP 0.135 ($0.247). The fair value of the Warrants issued was recognized as share issue costs and estimated at $0.1 million using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's Consolidated Financial Statements for year ended December 31, 2014 and 2013).

On August 21, 2014, the Company closed a short form prospectus in connection with a marketed offering of units of the Company. Each Unit consisted of one Common Share in the capital of the Company and one share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.40 per Common Share on or before the date that is 36 months following the closing date. The Company issued 50,555,000 Units at a price of $0.20 per Unit, for aggregate proceeds of approximately $10.1 million pursuant to the offering. The agents were paid a cash commission of $0.1 million as well as $0.5 million representing 5.0% of the gross proceeds. Other expenses related to the offering of Units amounted to approximately $0.5 million. The fair value of the Warrants issued was netted against proceeds from share capital and estimated at $2.9 million using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's consolidated financial Statements for the year ended December 31, 2014 and 2013).

LIQUIDITY AND CAPITAL RESOURCES * (CONTINUED)

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.***

ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING STANDARDS

As at January 1, 2014, the Company adopted the following standards:

- IAS 36, Impairment of Assets – Amendments to IAS 36 require entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The Company assessed the effect of IAS 36 and determined that there is no material impact on the financial statements;

- • IFRIC 21, Levies – Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets, sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company assessed the effect of IFRIC 21 on its consolidated statements of financial position and consolidated statements of comprehensive loss and has determined there is no material impact; and

- IAS 32, "Financial Instruments: Presentation" has been amended to clarify certain requirements for offsetting financial assets and liabilities. IAS 32 relates to presentation and disclosure and the Company assessed the effect of IAS 23 and determined that there is no material impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING CHANGES

IFRS 9, "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement", which replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications: amortized cost and fair value. In November 2013, the IASB amended IFRS 9 to include the new general hedge accounting model which remains optional and allows more opportunities to apply hedge accounting. The full impact from adoption will not be known until completion of the standard and may have an impact on the Company's accounting for financial assets and liabilities. This standard has an effective date of January 1, 2018.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," AS 11 "Construction Contracts," and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. IFRS 15 will be applied by the Company on January 1, 2017 and the Company is currently evaluating the impact of the standard on the Company's financial statements.

ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, actual results may differ from those estimated amounts and differences may be material.

In particular, significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are:

- Stock-based compensation, warrants and derivative liability – the amounts recorded in respect of stock options granted, share purchase warrants granted and the derivative liability for warrants issued are based on the Company's estimation of their fair value, calculated using assumptions regarding the life of the option or warrant, interest rates and volatility. By their nature, these estimates and assumptions are subject to uncertainty, and the actual fair value of options or warrants may differ at any time;
- Impairment of assets – E&E assets and office equipment are assessed for impairment annually and when circumstances suggest that the carrying amount might exceed the recoverable amount. These calculations require the use of estimates and assumptions and are subject to change as new information becomes available. Specifically for E&E assets, these estimates include future commodity prices, quantity of reserves and discount rates, as well as future development and operating expenses;
- Deferred income tax – management assesses the likelihood that deferred income tax assets will be realized from future taxable earnings, the amount of which is subject to measurement uncertainty; and
- Provisions, commitments and contingent liabilities – amounts recorded as provisions and amounts disclosed as commitments and contingent liabilities are estimated based on the terms of the related contracts and management's best knowledge at the time of issuing the consolidated financial statements. The actual results ultimately may differ from those estimates as future confirming events occur.

Significant judgments are involved in the determination of the functional currency of the subsidiaries and the time when exploration and evaluation projects are complete and the technical feasibility and commercial viability of extracting oil or gas are demonstrable for the project or there is no prospect of a positive outcome for the project . Determining the type of joint arrangement as either a joint operation or a joint venture is based on management's determination of whether it has joint control over another entity and considerations include assessment of contractual agreements for unanimous consent of the parties on decision making of relevant activities. Once classified as a joint arrangement, management assesses whether it is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity the direct right to the assets and obligations for the liabilities within the normal course of business, as well as the entity's rights to the economic benefit of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P"), or caused it to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation..

Management of the Company, including the Chief Executive Office and Chief Financial Officer, has evaluated the effectiveness of the Company's DC&P as at December 31, 2014. Based on that evaluation, our Chief Executive Office and Chief Financial Officer have concluded that the DC&P are effective as of the end of the year, in all material respects.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the financial year end December 31, 2014, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the Company's officers used to design the Company's ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations.

Management of the Company, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's ICFR as at December 31, 2014. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the ICFR are effective as of the end of the year, in all material respects.

The Company's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during the most recent interim period that has materially affected, or is reasonable likely to materially affect, the Company's ICFR. No material changes in the Company's ICFR were identified in the interim period ended December 31, 2014, which have materially affected, or are reasonably likely to materially affect the Company's ICFR.

It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that the Company's design of DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected the disclosure and internal control procedures will prevent all errors or fraud. The Company's ICFR may not prevent or detect all misstatements because of inherent limitations. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

DIRECTORS

Arthur S. Millholland - President and Chief Executive Officer
Christopher McLean - Chief Financial Officer
Harald Ludwig
Massimo Carello
Richard 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
Richard Mays, LL.B. (Hons), LL.M., Ph.D - Vice President, Business Development and General Counsel

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