CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 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") and Canadian Overseas Petroleum (Nigeria) Limited ("COPL Nigeria"), (collectively "COPL" or the "Company") as at and for the three and six months ended June 30, 2014. The information is provided as of August 13, 2014. The results for the three and six month periods ended June 30, 2014 have been compared to the same period 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, 2013 and 2012, together with the accompanying notes and the Annual Information Form dated April 16, 2014. 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 focused in the offshore West Africa. 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. COPL is actively evaluating opportunities in Nigeria and in the West Africa Transform Margin as part of its strategy to generate stable cash flow from secure offshore assets. COPL also holds 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. COPL Nigeria was incorporated October 16, 2013 for the future participation in Nigerian opportunities.

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, 2013, 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, 2013 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 second quarter of 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 and the West Africa Transform Margin.

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.

The Company and ExxonMobil continue to advance the Block LB-13 project with recent technical work, adding substantially to the geologic model of the block and new prospects have been mapped and identified. Drilling on Block LB-13 has been delayed due to the recent Ebola virus outbreak in the region, resulting in a reduced presence of expatriates in the country. 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.

New Zealand

The minimum work programme to be carried under the license that remains includes: acquisition and interpretation of new 2D seismic for a minimum 50kms area by October 31, 2014, and depending on the results of the work performed. The license holders have an option to surrender the permit or commit to a third year programme, which would include drilling one exploration well. Accordingly, the Company's commitments related to the New Zealand prospect are estimated at approximately $1.7 million for 2014. In addition, the Company acts as a guarantor of its partner's commitments (the remaining 50%) in the New Zealand license. In the event that the acquisition of seismic data does not occur in accordance with the work programme, there is no financial penalty to the Company. Instead, the Company's interest in the license is subject to forfeiture on November 1, 2014. The Company has capitalized costs in New Zealand of $790,000 as at June 30, 2014 (December 31, 2013 - $650,000).

OVERVIEW * (CONTINUED)

Expansion of West Africa Portfolio

As part of the Company's stated strategy to expand its interests in West Africa in order to generate stable cash flow from secure offshore assets, the Company continues to assess opportunities in Nigeria. The Option on OPL2010 has expired and the company continues to evaluate the block as well as several other assets in Nigeria. The Company is in concurrent discussions to acquire two Nigerian offshore blocks each with appraised oil discoveries with contingent resources based on historic drilling results. Further updates will be provided as COPL concludes negotiations in the near future.

As well, the Company has submitted a bid, as the operator of a consortium for a block in the West Africa Transform Margin. Partners in the consortium include a prominent producing independent African energy company and expects to be able to provide a further update in the third quarter of 2014.

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 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 three and six months ended June 30, 2014 and 2013).

On July 29, 2014, the Company filed a preliminary short form prospectus in connection with a marketed offering (the "Offering") of units of the Company (the "Units"). Each Unit consists of one common share ("Common Share") in the capital of the Company and one Common Share purchase warrant ("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 will issue a minimum of 25,000,000 Units to a maximum of 75,000,000 Units at a price of $0.20 per Unit, for a minimum of $5.0 million to a maximum of $15.0 million in aggregate gross proceeds pursuant to the Offering. The Offering is scheduled to close on or about August 21, 2014. The Company intends to use the net proceeds from the Offering to fund the acquisition and processing of seismic data in connection with evaluating Nigeria and West Africa Transform Margin opportunities and for general corporate purposes.

**** 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 second quarter of 2014, the Company performed geological analysis in respect of its exploration projects in Liberia and Nigeria. Pre-licence costs were approximately $42,000 and $0.3 million for the three and six months ended June 30, 2014 compared to pre-licence costs of $67,000 and $0.4 million for three and six months ended June 30, 2013.

General and administrative costs were lower than the prior period at $1.4 million and $2.7 million for the three and six months ended June 30, 2014 (net of $0.2 million and $0.4 million of costs allocated to exploration projects, respectively) compared to $2.0 million and $3.9 million for the three and six months ended June 30, 2013 (net of $0.1 million and $0.3 million of costs allocated to exploration projects, respectively). The Company recognized interest income of $1,000 and $7,000 for the three and six months ended June 30, 2014, compared to $2,000 and $7,000 for the three and six months ended June 30, 2013. A foreign exchange loss of $0.5 million and a gain of $0.1 million were recorded for the three and six months ended June 30, 2014, compared to gains of $0.3 million and $0.6 million for the three and six months ended June 30, 2013. As a result, the Company's loss amounted to $2.0 million and $3.0 million for the three and six months period ended June 30, 2014 compared to a loss of $1.6 million and $3.7 million for the three and six months period ended June 30, 2013.

As at June 30, 2014, the Company's cash and cash equivalents amounted to $1.9 million. Cash used in investing activities amounted to $0.4 million for both the six months ended June 30, 2014 and June 30, 2013. Cash used in operating activities amounted to $2.9 million for the six months ended June 30, 2014 compared to $3.3 million for the same period in 2013.

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 an expected drill in Liberia during 2014;
- ongoing evaluation of the New Zealand property;
- working to successfully conclude the variety of new opportunities available in West Africa including Nigeria and the West Africa Transform Margin asset the company is bidding on

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 and six months period ended June 30, 2014 and 2013:

($ 000's) except per share	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Administrative expenses	**1,389**	1,931	**2,726**	3,883
Exploration recovery	**-**	(51)	**-**	(72)
Pre-license costs	**42**	67	**324**	433
Interest income	**1**	2	**7**	7
Foreign exchange gain	**(544)**	319	**94**	587
Loss	**(1,976)**	(1,641)	**(2,968)**	(3,680)
Per share loss	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Cash used in operating activities	**$ (2,154)**	$ (1,566)	**$ (2,862)**	$ (3,349)
Outstanding common shares at June 30	***351,495,497***	*284,016,939*	***351,495,497***	*284,016,939*
Weighted average - basic	***350,909,416***	*284,016,939*	***342,361,059***	*284,016,939*

Administrative expenses for the three and six months ended June 30, 2014 were approximately $0.5 million and $1.2 million lower, respectively, than the comparable periods in 2013. This is mostly due to higher professional service fees during the first half of 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 the first half of 2014.

For the three and six months ended June 30, 2013, the Company recovered $51,000 and $72,000 of its 2012 exploration expenses, 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 $67,000 and $0.4 million for the three and six month periods ended June 30, 2013, respectively, relate to the Liberia project for which transactions were completed in April of 2013 (discussed in the "Liberia" section). For the three month period ended June 30, 2014, the $42,000 relates to areas in West Africa (discussed in the "Expansion of West Africa Portfolio" section), and the $0.3 million for the six month period ended June 30, 2014 also includes the Liberia project.

A foreign exchange loss of $0.5 million and gain of $0.1 million was recognized for the three and six months period ended June 30, 2014 (compared to a $0.3 million and $6.0 million foreign exchange gains for the same period in 2013), and related mainly to translation of capitalized exploration and evaluation costs.

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at June 30, 2014, March 31, 2014 and December 31, 2013:

($ 000's) except per share	June 30, 2014	March 31, 2014	December 31, 2013
Cash and cash equivalents	**$ 1,905**	$ 996	$ 2,384
Current assets	**2,288**	2,065	2,762
Exploration and evaluation assets	**18,002**	18,398	17,502
Current liabilities	**2,140**	3,004	1,859
Share capital	**112,753**	110,020	110,020
Shareholders' equity	**$ 18,382**	$ 17,697	$ 18,656

Exploration and evaluation assets of $0.8 million relate to the New Zealand project and $17.2 million relate to the Liberia project as at June 30, 2014 compared to $0.2 million related to the New Zealand project and $16.2 million related to the Liberia project as at June 30, 2013.

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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Administrative:				
Payroll and related costs	**$ 684**	$ 688	**$ 1,348**	$ 1,344
External directors' fees and related costs	**198**	171	**325**	399
Consulting services	**121**	177	**324**	303
Professional services	**23**	550	**80**	1,277
Travel expenses	**199**	162	**347**	296
Office expenses	**208**	239	**434**	460
Stock exchange and transfer agent fees	**90**	30	**107**	67
Other general and administrative	**96**	47	**161**	82
Costs allocated to exploration Projects	**(230)**	(133)	**(400)**	(345)
Total administrative	**$ 1,389**	$ 1,931	**$ 2,726**	$ 3,883
Capitalized exploration and evaluation costs	**$ 237**	$ 15,347	**$ 17,238**	$ 15,598
Net effect of foreign exchange	**(633)**	865	**764**	865
Total Capitalized exploration and evaluation costs	**$ (396)**	$ 16,212	**$ 18,002**	$ 16,463

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.

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LIQUIDITY AND CAPITAL RESOURCES *

As at June 30, 2014, the Company had a working capital of approximately $0.2 million, shareholders' equity of $18.4 million and cash of $1.9 million.

For the six month period ended June 30, 2014, the Company's cash used in operating activities amounted to $2.9 million compared to $3.3 million for the six month period ended June 30, 2013, for 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 ("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 three and six months ended June 30, 2014 and 2013).

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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)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Revenue	1	6	13	5
Loss	(1,976)	(992)	(3,787)	(1,606)
Loss per share - basic & diluted	(0.01)	(0.00)	(0.01)	(0.01)

($ 000's)	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Revenue	2	5	10	34
Loss	(1,641)	(2,039)	(3,562)	(39,737)
Loss per share - basic & diluted	(0.01)	(0.01)	(0.01)	(0.14)

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, 2013 and 2012 as well as Note 2 of the unaudited condensed interim consolidated financial statements as at and for the three and six month periods ended June 30, 2014 and 2013, have not materially changed since December 31, 2013.

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
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

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