ZENITH ENERGY LTD.

(Formerly Canoel International Energy Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2014

This management's discussion and analysis (the "MD&A") dated November 30, 2014 of Zenith Energy Ltd. ("Zenith" or the "Company", formerly Canoel International Energy Ltd., is presented in Canadian dollars and should be read in conjunction with the September 30, 2014 unaudited condensed interim consolidated financial statements and the March 31, 2014 audited consolidated financial statements of Zenith, together with the accompanying notes, as well as Zenith's March 31, 2014 management's discussion and analysis.

The consolidated financial statements have been prepared by management and approved by Zenith's Board of Directors on the recommendation of the Audit Committee. These statements are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. The financial data included in this MD&A is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective as at April 1, 2013. The Company has presented its financial statements on a going concern assumption, which assumes that the Company will be able to continue to finance its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Refer to the Business Risks and Uncertainties section of this MD&A for additional information related to identified risks, estimates and uncertainties.

Additional information related to the Company's business and activities can be found on SEDAR at www.sedar.com.

BOE Presentation – Production information is commonly reported in units of barrels of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet ("mcf") to one barrel of oil ("bbl"). This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

Special Note Regarding Non-IFRS Measures – This MD&A may include references to certain financial measures, as described below, which do not have standardized meanings prescribed by IFRS, however, as these measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors and they are measures that the Company uses to evaluate its performance. Investors are cautioned that these non-IFRS measures should not be construed as an alternative to the measures calculated in accordance with IFRS, given their non-standardized meanings; they may not be comparable to similar measures presented by other issuers. The term "field netback" is defined as petroleum and natural gas sales less royalties and less operating and transportation costs. The term "funds from (used in) operations", defined as the cash flow from operating activities, before the change in non-cash working capital and abandonment expenditures, should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income (loss) as determined in accordance with IFRS as an indicator of performance. The Company's determination of funds from operations may not be comparable to that reported by other companies.

Cautionary Statement regarding Forward-Looking Information

Certain information in this MD&A is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target" and "expect" or similar words suggest future outcomes. By their nature, such statements are subject to significant risks, assumptions and uncertainties, which could cause the Company's actual results and experience to be materially different than the anticipated results. In particular, forward-looking information and statements include, but are not limited to: (i) expectations related to the two properties producing oil in the Patagonia region of Sothern Argentina, owned by Petrolera Patagonia Srl; (ii) expectations related to crude oil and petroleum products prices and demand; (iii) the state of capital markets; (iv) expectations related to reimbursement of costs and payment of a commission to the Company under the Management Services Agreement between the Company and Oren Oil ASA; (v) expectations related to the market value of the Oren Oil ASA assets of Promgeotek LLC, Saganeft LLC, and K-Oil LLC; (vi) expectations related to the receipt of certain Oren Oil ASA assets by Promotes SA; (vii) expectations related to operating costs in Argentina and Italy; (viii) variations in the Peso, US dollar, Euro, and Canadian dollar exchange rates; (ix) expectations related to security granted over oil and gas assets in Argentina pursuant to a loan agreement; (x) expectations related to regulatory approvals; (xi) management's analysis of applicable tax legislation; (xii) expectations that the currently applicable and proposed tax laws will not change and will be implemented; (xiii) expectation that management will continue to focus its efforts towards acquiring large exploration permits, which offer high exploration potential and the opportunity to act as operator at least for the initial exploration period; (xiv) expectation that management will consider acquiring additional producing assets;

(xv) the capital expenditures required in order to re-commence production on both the Torrente Vulgano and Canaldente properties; (xvi) the ability of the Company to re-commence production on both the Torrente Vulgano and Canaldente properties by late 2014; (xvii) the price of natural gas in Italy; (xviii) the ability of the Company to comply with certain regulatory requirements in Italy; (xix) the Company's ability to increase its oil and gas production by late 2014; and (xx) business strategy and outlook.

These statements are based on certain assumptions and analysis made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include, but are not limited to: (i) pricing of crude oil and petroleum products set by the government of Argentina; (ii) increased competition; (iii) assumption that Promotes SA will receive a portion of the Oren Oil ASA assets to be kept in escrow in favor of certain beneficiaries; (iv) assumption that operating costs in Argentina and Italy may be reduced in future months and that the oil price in Argentina will continue to improve; (v) additional financing of the Company is subject to the global financial markets and economic conditions; (vii) the Company will evaluate certain properties located within Argentina and will focus on managing the properties acquired in 2010 with the intention to increase production and cash flows; (viii) the Company will continue it its care-taking role for the potential disposition of Oren Oil ASA assets under the Management Agreement; (ix) assumptions related to international oil and natural gas prices; (x) ability to obtain regulatory approvals; (xi) costs of exploration and development; (xii) availability and cost of labour and management resources; (xiii) performance of contractors and suppliers; (xiv) availability and cost of financing; and (xv) the Company's business strategy and outlook.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Company's expectations. Such risks and uncertainties include, but are not limited to risks and uncertainties relating to: (i) volatility of and assumptions regarding commodity prices; (ii) product supply and demand; (iii) market competition; (iv) risks inherent in the Company's operations; (v) potential disruption or unexpected technical difficulties in developing or maintaining facilities; (vi) risks associated with technology; (vii) Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; (viii) the Company's ability to secure external sources of debt and equity as needed; (ix) changes in royalty, tax, environmental, greenhouse gas, carbon, accounting and other laws or regulations or the interpretation of such laws or regulations; (x) political and economic conditions in the countries in which the Company operates; (xi) terrorist threats; (xii) risks associated with potential future lawsuits and regulatory actions made against the Company; (xiii) the performance of counterparties in meeting their obligations under agreements; (xiv) economic conditions; (xv) equipment and labour shortages and inflationary costs; (xvi) fluctuations in foreign exchange rates; (xvii) the effect of weather conditions on operations and facilities; and (xviii) stock market volatility.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Except as required by law, the Company disclaims any intention and assumes no obligation to update any forward-looking statement.

NATURE OF OPERATIONS, ACQUISITON AND EXPLORATION ACTIVITIES

The Company was incorporated under the Business Corporations Act (British Columbia) ("BCBCA") on September 20, 2007. The registered business address is 15th Floor, Bankers Court, 850 - 2nd Street S.W., Calgary, Alberta T2P 0R8, Canada. Zenith's website is www.canoelenergy.com. The Company is involved in the exploration for, development of and production of petroleum and natural gas in Argentina and Italy and exploration for oil & gas in central Asia and Africa.

On March 10, 2010, Zenith formed Ingenieria Petrolera del Rio de la Plata S.r.l. ("IPRP"), a wholly owned subsidiary of Zenith. IPRP was initially incorporated in Buenos Aires, Argentina, to negotiate management agreements to operate existing producing properties. However, as described in following paragraphs, after Petrolera Patagonia S.r.l. was acquired, management saw no immediate needs for IPRP and the company was kept in a dormant state and held in trust by Zenith's trustees in Argentina until late 2011.

On July 20, 2010 Zenith incorporated a wholly owned US subsidiary, Ingenieria Petrolera Patagonia Ltd. ("IPP"), to act as the potential acquirer of two US based companies controlling Central Patagonia Srl, the owner of two producing oil fields in the Chubut Province in Argentina.

On July 22, 2010, Zenith acquired two US based companies, namely Central Patagonia Corporation (renamed Petrolera Patagonia Corporation or "PPC") and CPC Holdings (renamed PP Holdings Inc. or "PPH") owning respectively 95% and 5% of

Central Patagonia S.r.l. (renamed Petrolera Patagonia S.r.l. or "PPS"), thereby acquiring two adjacent oil producing properties in Argentina.

On March 23, 2011, Zenith established Canoel Italia S.r.l. ("Italia Srl"), a wholly owned subsidiary of the Company, so that it would have an operating entity if the Company was awarded the oil and gas properties being posted for auction by the Ministry of Economic Development.

On August 27, 2011, Italia Srl was awarded two gas properties, which were previously on production but currently shut-in, at the auction. Zenith's bid was accepted on the basis of its technical presentation and proposed program to place the properties back on stream. The properties are Torrente Vulgano, located in the Puglia region, and Canaldente, located in the Basilicata region. Both regions are located in southern Italy, which is where the majority of hydrocarbons are produced.

In October 2011, Zenith recognized the opportunity to implement its own completion operations and consequently decided to use the dormant company IPRP for these operations. Management commenced the process to transfer the shares of IPRP from Zenith's trustees to PPC (95%) and to PPS (5%). This process was completed in May 2012.

In mid 2012, in line with the Company's strategy to increase its involvement in Italy through its Italian subsidiary, Zenith commenced negotiations to purchase producing and exploratory permits from a well established gas producing company, Mediterranean Oil & Gas Plc, a British company with activities in Italy, France and Malta whose shares trade on the London AIM Stock Exchange.

On June 6, 2013, the Company completed the acquisition of various working interests in 13 Italian producing and exploration properties (the "Assets") from Medoilgas Italia S.P.A. and Medoilgas Civita Limited, each a subsidiary of Mediterranean Oil and Gas Plc (collectively, "MOG") after receiving the final approval from the Italian Ministry of Economic Development to the change of ownership. The Assets are comprised of (i) 6 operated onshore gas production concessions: Masseria Grottavecchia (20% working interest), San Teodoro (100% working interest), Torrente Cigno (45% working interest), Misano Adriatico (100% working interest), Sant'Andrea (40% working interest) and Masseria Petrilli (50% working interest); (ii) 3 non-operated onshore gas production concessions: Masseria Acquasalsa (8.8% working interest), Lucera (13.6% working interest) and San Mauro (18% working interest) (collectively, the "Gas Licenses"); (iii) an operated exploration permit: Montalbano (57.15% working interest) (the "Exploration Permit"); and (iv) 3 exploration permit applications: Serra dei Gatti (100% working interest), Villa Carbone (50% working interest) and Colle dei Nidi (25% working interest) (the "Exploration Applications").

Most of the Gas Licenses are located onshore in southern Italy, in the Regions of Puglia, Basilicata, Molise, Abruzzo and Marche. The Exploration Permit and Exploration Applications are located in southern Italy and cover an area of 1,285 square kilometres.

The Company conducted the following development and exploration activities in Argentina and the other countries as described below:

	Six months ended September 30	
Capital additions	**2014**	2013
Argentina	**30,147**	22,223
Italy	**105,234**	2,100
	135,381	24,323

Highlights for the six months ended September 30, 2014 include the following:

Operational:

- During the six months ended September 30, 2014, the Company sold 22,741 bbls of oil from its Argentine properties versus 24,172 bbls of oil in the 2013 comparative period, a decrease of 6%.
- During the six months ended September 30, 2014, the Company sold 72,920 mcf of natural gas and 557 bbls of condensate from its Italian properties. In the 2013 comparative period following the acquisition of the Italian properties on June 6, 2013, the Company sold 43,504 mcf of gas and 268 bbls of condensate. These sales volumes equate to 398 mcf per day (66 boe per day) for the six months ended September 30, 2014 and 386 mcf per day (64 boe per day) for the 117-day period from June 6 to September 30, 2013.

  Most of the Gas Licenses are located in the southern part of continental Italy in the Regions of Puglia, Basilicata, Molise, Abruzzo and Marche. Last year Zenith was awarded 2 gas producing concessions in this same geographical area by the Italian "Ministero dello Sviluppo Economico". These concessions, Torrente Vulgano and Canaldente, are respectively located in the Regions of Puglia and Basilicata. The new Exploration Permit and Exploration Applications are also located in the southern part of Italy and cover an area of approximately 1,285 square kilometres.

European gas prices are established upon a formula that uses Brent crude as the base and consistently offer a premium to North American commodity prices.

Submission of extensive environmental reports relating to the commencement of production of the Torrente Vulgano and Canaldente gas properties has been completed and preliminary approval has been received. The Company is now looking forward to finally place on production these wells after the final approvals is received.

- On July 10, 2014, the Company filed the NI 51-101 engineering report on its proven and probable reserves in the Don Alberto and Don Ernesto fields in Argentina and on nine concessions in Italy. The report was prepared by Chapman Petroleum Engineering Ltd., of Calgary, as of March 31, 2014, and can be viewed on SEDAR.
- On September 8, 2014, the Company's wholly-owned Argentinean subsidiary, Petrolera Patagonia, initiated a deep workover program designed to evaluate and optimize production from active wells on both the Don Alberto and Don Ernesto oil properties. The main objective of this program is to double production from up to 27 wells, and bring total Argentinean production to approximately 280 barrels per day. The budget has been set at $500,000 (US) and will be funded using proceeds from Zenith's May and June 2014 capital raise.

Financial:

- The Company generated oil and natural gas revenue, net of royalties, of $2,082,702 in the six months ended September 30, 2014 versus $1,789,534 in the comparative period.
- The Company incurred $135,381 of capital expenditures in the six months ended September 30, 2014. The primary focus of these expenditures related to the Company's Italian properties.
- In May and June 2014, the Company completed the private placement of 8,335,032 units at $0.15 per unit for gross proceeds of $1,250,255. Each unit is comprised of one common share and one warrant exercisable at $0.25 per share for a period of 36 months from the date of issuance. In connection with the unit private placement, the Company paid finder's fees and commissions of $124,530 and issued 492,135 finder's warrants exercisable at $0.25 until for a period of 36 months from the date of issuance.
- On September 12, 2014, the Company announced the completion of the Replacement and Conversion Agreement which was entered into between Zenith and each of the holders of the Company's outstanding 9% unsecured convertible debentures (principal amount $1,080,000 Swiss Francs) dated January 11, 2012 (the "Notes"). Pursuant to the terms of the Replacement and Conversion Agreement, the holders of the Notes agreed to cancel their Notes in exchange for the issuance by Zenith of replacement notes, which are convertible into common shares at a deemed price of $0.215 per share (the "Replacement Notes"). In accordance with the terms of the Replacement and Conversion Agreement, the holders of approximately 42% (principal amount $460,000 Swiss Francs) of the Replacement Notes converted the principal amount of such Replacement Notes into common shares of Zenith, resulting in the issuance of an aggregate of 2,510,058 common shares of Zenith.

Corporate and Administrative:

- The Company continues to improve its accounting and administrative functions within the organization.
- At the Annual and Special meeting of shareholders, held on September 30, 2014, the shareholders of the Company unanimously approved the name change of the Company from Canoel International Energy Ltd. to Zenith Energy Ltd. The Company's new name took effect immediately and the Company's common shares commenced trading under the new name and new symbol (ZEE) on the TSX Venture Exchange on October 3, 2014. The Company's website changed to www.ZenithNRG.com

OPERATIONAL UPDATE

ARGENTINA

The main assets of PPS on which the Company has focused its development efforts, are two producing fields, Don Alberto and Don Ernesto, (the "Producing Fields"). The two Producing Fields are located in the Patagonia region of Southern Argentina, and specifically in the San Jorge basin, Chubut Province, within the area of Comodoro Rivadavia. The ownership of these two fields were granted to PPS under old mining codes (the "Mining Codes") under which the licenses do not have an expiry date. The wells on the Producing Fields are connected to battery tanks through existing infrastructure, which is now partially owned by PPS.

The Company's share of estimated total proved plus probable oil reserves were assessed at 734,000 bbls as of March 31, 2014 (March 31, 2013 – 1,821,300 bbls).

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

Oil prices in Argentina are the results of complicated formulas that are set by refineries based on instructions or decrees from the government as crude oil and petroleum products prices in Argentina are capped by the Government at variable levels. The oil price has gradually increased from US$42.00 per bbl in early 2010 to US$63.00 per bbl in December 2013 followed by an increase to US$67.50 per bbl in May 2014 and a subsequent decrease to US$67.00 in July 2014.

ITALY

In August 2009, the Italian Ministry of Economic Development posted an invitation for bidding on three previously producing gas properties owned and operated by Eni, the Italian multinational oil and gas company. Zenith's wholly owned subsidiary, Canoel Italia Srl ("Canoel Italia"), participated in the bidding process for two properties and was later selected as one of the finalists for both.

On August 30, 2011, the Company announced that the Italian "Ministero per lo Sviluppo Economico" (the Ministry of Economic Development) confirmed in writing that Zenith's technical submission and proposal to re-establish production from the two properties was successful.

These two natural gas properties are in proximity to each other and are located in southern Italy, an area which is currently producing a large portion of Italian hydrocarbons. The first property, named "Torrente Vulgano", is located in the Puglia Region, while the second one, named "Canaldente", and is located in the Basilicata Region. Both properties are already connected to the Italian national gas distribution grid; therefore, there is no need to install new gas pipelines.

The Torrente Vulgano and Canaldente properties were previously produced by Eni. Before the agreement to return the field to the Ministry of Economic Development, in the last 4 years of production (1997-2000), the Torrente Vulgano property was producing an average of 7,900 standard cubic meters (m3) per day (278,949 standard cubic feet (mcf) per day, using a conversion rate of 1 m3 = 35.31 mcf).

Canoel Italia will have to comply with certain Italian regulatory obligations before field start-up. Production will commence after all the necessary approvals have been received, which the Company expects to occur in 2015. However, there are no assurances that production of the Torrente Vulgano and Canaldente properties will be at the same levels that they were previously producing.

It is worth noting that the Canaldente reservoir appears to be a good candidate for gas storage when the well will be eventually shut-in at the end of commercial production.

On August 27, 2011, Canoel Italia was approved in its role as operator by the Italian relevant authorities and is currently submitting environmental reports and conducting the final assessment of on-site equipment.

On September 4, 2012, the Company signed a Purchase and Sale Agreement with two Italian subsidiaries of Mediterranean Oil & Gas Plc to acquire their entire working interest, ranging from 8.8% to 100%, in 13 onshore producing and exploration permits. This transaction was completed in June 2013, with an effective date of August 24, 2012.

NORWAY AND RUSSIA

During 2010, Zenith completed a series of investigations in Norway after having been advised that this country was appropriate for the purpose of raising additional capital. Norway has indeed been one of the most successful countries in the oil & gas industry in the last 30 years.

After considering a few opportunities, the Company decided to focus its attention on Oren Oil ASA ("Oren"), oil & gas exploration and production company with headquarters in Oslo and registered in Norway. In the previous 5 years, Oren had developed a portfolio of assets exclusively in Russia, in the Province of Orenburg.

The Oren portfolio in Russia comprised three 100% owned companies: Promgeotek LLC ("Promgeotek"), Saganeft LLC ("Saganeft") and K-Oil LLC ("K-Oil").

Pursuant to an agreement dated May 30, 2010, Zenith made an offer to all the existing shareholders of Oren to exchange their shares in Oren with Zenith shares, in the ratio of 1,000 shares of Oren for 1 share in Zenith (the "Swap Offer"). The Swap Offer was conditional on the Norwegian investors' agreement to subscribe to a private placement of new shares. Consequently, in July 2010, Zenith issued 9,110,729 common shares at a price of $0.12 per common share for aggregate gross proceeds of $1,093,287. In connection with this Norwegian Placement, the Company incurred share issue costs of $33,460 which were paid to an unrelated party. At the same time, Oren agreed to make available all its Russian assets in favour of the old creditors and of the historical shareholders prior to the swap and the Company had agreed to act as a consultant (on best effort basis) for a period of 2 years with the task of disposing of these assets.

At the end of summer 2010, Zenith sold all its shares in Oren to a local entrepreneur for a nominal sum.

As previously reported, under the Management Service Agreement with Oren, Zenith was entitled to receive the reimbursement of certain expenses plus a commission on sale proceeds. In 2012 and 2013, Zenith, in its capacity of consultant to Oren to oversee the disposition of Oren's properties in Russia, received initial partial payments for organizing the sale of such properties to a Russian purchaser and kept a portion of the money in trust for subsequent disbursement to the parties connected with Oren.

NIGERIA

Zenith is currently engaged in negotiations to acquire an interest in production and development permits in Nigeria as it believes that this country offers great opportunities for the development of significant oil fields. Nigerian operations are described in more details in the Outlook section.

AZERBAIJAN

Zenith is currently engaged in negotiations to acquire an interest in production and development fields in Azerbaijan as it believes that this country offers great opportunities for the development of significant oil reserves. Such activities are described in more details in the Outlook section.

OTHER ACTIVITIES

In addition to its activities discussed above, the Company is actively pursuing the acquisition of other oil and gas producing properties in Italy, Egypt, Argentina, and Azerbaijan in order to provide cash flow to fund its operations, exploration prospects elsewhere in the world and financing for future acquisitions.

Management believes that one of the most promising areas for the development of producing properties is Italy where the company is examining a variety of new prospects.

In regard to new exploration activities, the Company has decided to focus its attention on broader areas of the African continent which may offer new opportunities.

FINANCIAL PERFORMANCE

The following table summarizes key financial indicators for the three and six months ended September 30:

	Three months ended September 30		**Six months ended September 30**	
	2014	2013	**2014**	2013
Oil and gas revenue, net of royalties ($)	**965,739**	1,050,224	**2,082,702**	1,789,534
Oil and gas revenue, net of royalties – per boe ($)	**58.87**	55.70	**58.75**	56.47
Total daily sales volumes per boe	**178**	205	**194**	173
Net income (loss) ($)	**(456,928)**	(328,619)	**(1,211,885)**	(696,076)
Net income (loss) per share – basic and diluted ($)	**(0.02)**	(0.04)	**(0.07)**	(0.08)
Capital expenditures ($)	**103,728**	17,552	**135,381**	24,323
Weighted average number of shares – basic and diluted	**20,078,169**	8,269,951	**17,315,837**	8,229,413

Production

	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Total volumes				
Oil (bbls) (1)	**9,914**	12,419	**22,741**	24,172
Condensate (bbls) (2)	**326**	268	**557**	268
Gas (mcf) (2)	**36,993**	37,014	**72,920**	43,504
Total boe	**16,406**	18,855	**35,451**	31,690
Daily volumes				
Oil (bbls/day) (1)	**108**	135	**124**	132
Condensate (bbls/day) (2)	**4**	3	**3**	1
Gas (mcf/day) (2)	**402**	402	**398**	238
Total (boe/day)	**178**	205	**194**	173

(1) At the end of September 2014, there were 917 bbls of unsold oil production held in inventory which were sold in subsequent months. Total oil sales, transfers of produced volumes to Termap Oil Storage and oil held in inventory at the end of the period correspond to an average daily production rate for the three and six months ended September 30, 2014 of 133 and 134 bbls of oil per day, respectively.

(2) Daily volumes are calculated over 183 days in the six-month period, however, production in Italy commenced on June 6, 2013, following the acquisition of properties from MOG as described under "Operational Highlights". For the 117-day period since the date of acquisition in the 2013 comparative quarter, daily gas volumes were 386 mcf/day and daily condensate volumes were 2 bbls/day. On a combined basis with Argentina oil volumes, total daily sales volumes were 196 boe per day.

Oil sales volumes decreased by approximately 20% from 12,419 bbls in the second quarter ended September 30, 2013 to 9,914 bbls in the second quarter ended September 30, 2014 and approximately 6% from 24,172 bbls in the six months ended September 30, 2013 to 22,741 bbls in the six months ended September 30, 2014. The decrease in the 2014 periods is due to the transfer of produced volumes to Termap Oil Storage Co. for volumes sold on Zenith's behalf in the first quarter.

Gas sales volumes of 72,920 mcf for the six months ended September 30, 2014 are for the full period whereas gas sales volumes of 43,504 mcf for the six months ended September 30, 2013 are for 117 days from the closing of the acquisition of Italian properties on June 6, 2013 to the end of the period.

Condensate sales volumes are also from Italian properties acquired on June 6, 2013, however, condensate production did not commence until July 2013.

Revenue

	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Commodity Prices				
Oil ($/bbl)	**74.47**	62.43	**73.69**	62.43
Condensate ($/bbl)	**105.44**	202.20	**85.51**	202.20
Gas ($/mcf)	**7.29**	10.47	**7.03**	10.84
Total ($/boe)	**63.53**	64.55	**63.08**	64.21
Revenues ($)				
Oil (Argentina)	**738,300**	775,316	**1,675,693**	1,509,113
Condensate (Italy)	**34,358**	54,108	**47,628**	54,108
Gas (Italy)	**269,533**	387,673	**512,818**	471,611
Total	**1,042,191**	1,217,097	**2,236,139**	2,034,832

Oil Revenue

Gross oil revenue earned in Argentina was $738,300 for the three months ended September 30, 2014 versus $775,316 in the comparative three-month 2013 period and $1,675,693 for the six months ended September 30, 2014 versus $1,509,113 for the comparative six-month period. The decrease in revenue in the three-month period is due to a decrease in sales volumes which was not fully offset by an increase in the oil price per bbl. The increase in revenue in the six-month period is due to a higher oil price per bbl which more than offset the decrease in sales volumes.

Condensate Revenue

Condensate production commenced in July 2013. The price per bbl received for condensate during the three and six months ended September 30, 2014 was $105.44 per bbl and $85.51 per bbl, respectively, as compared to $202.20 per bbl earned on condensate sales during the three months ended September 30, 2013. The decrease in the condensate price from 2013 to 2014 is due to a decrease in the base price of Brent crude which is used in the formulas to establish the price of condensate.

Gas Revenue

The price per mcf received for natural gas decreased in the three months ended September 30, 2014 due primarily to the effect of gas sales volumes from the Torrente Cigno area for which these gas volumes are provided to the electricity market and therefore earn a much lower price. As the Company did not produce and sell any gas volumes from the Torrente Cigno area in the three months ended September 30, 2013, the gas price earned was all in relation to the higher-priced domestic market. In general, gas prices are also impacted by fluctuations in the base price of Brent crude which is used in the formulas to establish the price of natural gas.

Royalties and Operating Expenses

	Three months ended September 30		**Six months ended September 30**	
	2014	2013	**2014**	2013
Royalties ($)	**76,452**	166,873	**153,437**	245,298
% of Argentine revenues [1]	**10%**	20%	**9%**	16%
$/bbl of oil	**7.71**	13.44	**6.75**	10.51
$/boe (total Company)	**4.66**	8.85	**4.33**	7.74
Operating and transportation ($)				
Argentina	**413,726**	463,395	**827,950**	618,925
Italy	**105,086**	175,847	**234,126**	257,859
Total	**518,812**	639,242	**1,062,076**	876,784
Argentina $/bbl	**41.73**	37.31	**36.41**	25.61
Italy $/boe	**16.19**	27.32	**18.42**	34.30
Total $/boe	**31.62**	33.90	**29.96**	27.67

[1] Royalties are charged on Argentine oil revenues only.

Royalties

During the three and six months ended September 30, 2014, the Company incurred $76,452 and $153,437, respectively, of royalties on Argentine revenues versus royalties of $166,873 and $245,298, respectively, incurred in the 2013 comparative periods. Royalties in the 2013 comparative periods include adjustments related to a liability associated with an oil share agreement which ended in November 2013. Excluding the impact of the oil share agreement, royalties would be approximately 10% of revenue in the 2013 periods which is comparable to the equivalent 9% – 10% of revenue for the 2014 periods.

Operating and transportation costs

During the three and six months ended September 30, 2014, the Company incurred $431,726 and $827,950, respectively, of operating and transportation costs on the Argentine properties versus $463,395 and $618,925, respectively, incurred in the 2013 comparative periods. Argentina operating costs per bbl are higher in the 2014 periods due to a salary increase of 13% negotiated by the union and government agency as well as an increase in security costs at well sites.

Operating costs per boe for the Italian properties are lower in the three and six months ended September 30, 2014 versus the 2013 comparative periods due to operational efficiencies and experience gained since the properties' acquisition in June 2013, and continued monitoring of operations.

Netbacks

	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Argentina ($/bbl)				
Revenue	**74.47**	62.43	**73.69**	62.43
Royalties	**(7.71)**	(13.44)	**(6.75)**	(10.15)
Operating expenses	**(41.73)**	(37.31)	**(36.41)**	(25.61)
Field netback	**25.03**	11.68	**30.53**	26.67
Italy ($/boe)				
Revenue	**46.81**	68.64	**44.09**	69.93
Operating expenses	**(16.19)**	(27.32)	**(18.42)**	(34.30)
Field netback	**30.62**	41.32	**25.67**	35.63
Total Company ($/boe)				
Revenue	**63.53**	64.55	**63.08**	64.21
Royalties	**(4.66)**	(8.85)	**(4.33)**	(7.74)
Operating expenses	**(31.62)**	(33.90)	**(29.96)**	(27.67)
Field netback	**27.25**	21.80	**28.79**	28.80

General and Administrative Expenses ("G&A")

General and administrative expenses for the three months and years ended March 31 are composed of the following:

	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Professional fees	**97,710**	194,738	**347,189**	366,947
Salaries and benefits	**49,536**	94,525	**318,828**	232,268
Office	**161,237**	142,803	**285,991**	227,036
Administrative	**155,337**	12,722	**259,913**	148,505
Travel	**62,972**	66,651	**77,684**	88,926
	526,792	511,439	**1,289,605**	1,063,682

G&A expenses increased by 3% in the three months ended September 30, 2014 versus the 2013 comparative thee-month period and 21% in the six months ended September 30, 2014 versus the 2013 comparative six-month period.

Professional fees decreased in the 2014 three-month 2014 period due to the timing of expenses, the majority of which were incurred earlier in the year and primarily related to business development and fundraising activities. Salaries and benefits are higher in the 2014 six-month period due to $200,000 bonuses paid to senior executives paid in the first quarter. During the 2013 comparative periods, bonuses were paid in both the first and second quarters (for a total of $153,000). Office and administrative expenses are higher in the three and six months ended September 30, 2014 than the 2013 comparative periods due to costs associated with the increase in operating and corporate activities related to the Italian operations.

No general and administrative expenses were capitalized in the three and six months ended September 30, 2014 and 2013.

Depletion and depreciation

	Three months ended September 30		Six months ended September 30	
	2014	2013	**2014**	2013
Argentina	**94,345**	101,006	**199,098**	199,977
Italy	**94,098**	27,468	**185,932**	27,468
Total	**188,443**	128,474	**385,030**	227,445
Argentina $/bbl	**9.52**	8.13	**8.76**	9.41
Italy $/boe	**14.50**	4.27	**14.63**	3.65
Total $/boe	**11.49**	6.81	**10.86**	7.18

The depletion rate for Argentine properties is higher in the three and six months ended September 30, 2014 is comparable to the 2013 depletion rates as the impact of a decrease in the estimated total proved plus probable reserves of 734,000 bbls reported in the March 31, 2014 reserve report compared to 1,821,300 bbls reported in the March 31, 2013 reserve report was offset by a decrease in the estimated future development costs of $0.8 million as of September 30, 2014 compared to $10.9 million as of September 30, 2013.

The depletion rate for the Italian properties in the three and six months ended September 30, 2014 is based on estimated total proved plus probable reserves of 1,381,000 bbls reported in the March 31, 2014 reserve report and includes estimated future development costs of $3.0 million as of September 30, 2014.

The Company did not identify any indicators of impairment as at September 30, 2014 or during the three months then ended.

Net loss

The Company recognized net losses of $456,928 and $1,211,885, respectively, for the three and six months ended September 30, 2014 versus net losses of $328,619 and $696,076 for the comparative 2013 periods.

SUMMARY OF QUARTERLY INFORMATION

The following is a summary of selected financial information for the Company for the past eight quarters.

	Net revenue $	Net income (loss) $	Per share* $
2015			
Second quarter ended September 30, 2014	965,739	(456,928)	(0.02)
First quarter ended June 30, 2014	1,116,963	(754,957)	(0.05)
2014			
Fourth quarter ended March 31, 2014	950,925	5,610,377	0.58
Third quarter ended December 31, 2013	947,394	(705,058)	(0.08)
Second quarter ended September 30, 2013	1,050,224	(328,619)	(0.04)
First quarter ended June 30, 2013	739,310	(367,457)	(0.04)
2013			
Fourth quarter ended March 31, 2013	679,009	(283,006)	(0.04)
Third quarter ended December 31, 2012	708,237	(714,330)	(0.11)

* The sum of quarterly amounts per share may not add to the year-to-date figure due to rounding.

- Net income for the fourth quarter ended March 31, 2014 includes a $9.1 million gain on business combination in relation to the acquisition of the Italian properties, for which the accounting was finalized in the quarter.

LIQUIDITY RISK AND CAPITAL RESOURCES

As at September 30, 2014, the Company had a working capital deficit of $2,070,404 compared to a working capital deficit of $4,273,352 as at March 31, 2014. During the six months ended September 30, 2014, the Company incurred $846,515 on operating items and $135,381 on capital expenditures and reclassified $2,059,119 of debt from current liabilities to long-term liabilities. The Company received $1,125,725 of net proceeds on the completion of a unit private placement.

The unit private placement was completed in May 2014 and June 2014, and resulted in the issuance 8,335,032 units at $0.15 per unit for gross proceeds of $1,250,255. Each unit is comprised of one common share and one warrant exercisable at $0.25 per share for a period of 36 months from the date of issuance. In connection with the unit private placement, the Company incurred $45,850 of issuance costs, paid finder's fees of $78,680 and issued 492,135 finder's warrants exercisable at $0.25 for a period of 36 months from the date of issuance.

As at September 30, 2014, the Company had $4,517,269 (March 31, 2014 – $6,879,084) of current liabilities for which the Company's $926,525 (March 31, 2014 – $711,248) cash balance is insufficient to settle the current liabilities.

As of September 30, 2014, the contractual cash flows, including estimated future interest, of current and non-current financial liabilities mature as follows:

		Carrying amount	Contractual cashflows	Due on or before September 30 2015	Due subsequent to September 30 2015
Trade and other payables	$	2,274,271	2,274,271	2,274,271	–
Oil share agreement		887,214	887,214	887,214	–
Notes payable		228,017	229,522	229,522	–
Loan payable		2,297,640	2,681,355	631,810	2,049,545
Convertible note		482,672	745,831	745,831	–
	$	6,169,814	6,818,193	4,768,648	2,049,545

GOING CONCERN

As at September 30, 2014, the Company has a working capital deficit and an accumulated deficit, and may incur future losses in the development of its business. Current cash resources will not be sufficient to continue development activities. These matters raise significant doubt about the ability of the Company to continue to meet its obligations as they become due. It is expected that further debt and equity financings will be required in order to settle existing current liabilities, continue development of the Company's assets and meet future obligations. Additional financing is subject to the global financial markets and economic conditions, and volatility in the debt and equity markets. These factors have made, and will likely continue to make it challenging to obtain cost effective funding. There is no assurance this capital will be available and if it is not, the Company may be forced to curtail or suspend planned activity.

The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and the consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for the consolidated financial statements, then the adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

SHARES AND CONVERTIBLE, EXERCISABLE AND EXCHANGEABLE SECURITIES

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

As September 30, 2014 and the date of this MD&A, the Company's issued share capital and the outstanding securities that are convertible or exercisable for any voting or equity securities of the Company are as follows:

	Number of common shares	**Number of warrants**	**Number of stock options**
Balance – March 31, 2014	11,252,039	2,553,367	214,000
Issued	10,845,090	8,827,167	–
Expired	–	(57,500)	(25,000)
Balance – September 30, 2014	22,097,129	11,323,034	189,000
Issued	–	–	–
Expired	–	(294,900)	(7,000)
Balance – Date of MD&A	22,097,129	11,028,134	182,000

RELATED PARTY TRANSACTIONS

Related party transactions during the three months ended September 30, 2014 and 2013 not disclosed elsewhere in this MD&A are as follows:

a) Included in general and administrative expenses for the three and six months ended September 30, 2014 is $64,237 and $132,296 (three and six months ended September 30, 2013 – $36,379 and $85,483), respectively, charged by a company controlled by an officer and director of the Company for office rent and administrative services. As at September 30, 2014, $nil (March 31, 2014 – $nil) was included in trade and other payables in respect of these charges.

b) Included in interest expense for the three and six months ended September 30, 2014 is $1,090 and $2,466 (three and six months ended September 30, 2013 – $$1,265 and $2,484), respectively, on $50,000 Swiss Francs of convertible notes held by company controlled by a director of the Company, of which $nil is included in trade and other payables as at September 30, 2014 (March 31, 2014 – $12,515). These notes were converted to common shares and the related accrued and unpaid interest forgiven on September 12, 2014.

c) Included in trade and other payables is $2,844 (March 31, 2014 – $13,803) due to an officer and director of the Company in respect of general and administrative expenditures made on behalf of the Company for which the officer and director will be reimbursed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet financing arrangements.

OUTLOOK

As noted earlier, the Company’s cash and cash equivalent balance is not sufficient to meet the Company’s obligations and additional funds will have to be raised through the issuance of debt and equity financing. There is no assurance that such additional funds can be raised on reasonable terms, or at all.

The Company plans to continue to focus on both international oil and natural gas exploration opportunities as well as continuing its search for smaller producing assets in North America, Italy and Argentina. Management intends to focus its efforts toward acquiring large exploration permits, which offer high exploration potential and the opportunity to act as operator at least for the initial exploration period.

The Company's plans for the 2015 year include:

(a) **Italy:** After the acquisition of 9 producing licenses and 4 exploration applications from Mediterranean Oil & Gas Plc., Zenith has evaluated drilling opportunities on these permits and will formalize plans to either participate directly in such potential operations or farm-out its interest to third parties. The company’s technical team has conducted in depth geological, geophysical and engineering evaluations on all these properties. Natural gas from two properties which is not suitable for transportation in the national pipeline grid will now be produced to generate electricity with the use of gas turbines. New seismic data has defined a very interesting structure on the Macchia Nuova property and plans are being made to drill this prospect in the future. Drilling plans for side-track drilling operations at the Masseria Petrilli property and drilling of a new well at the San Teodoro field are also being evaluated. These activities are expected to increase Zenith’s gas production in Italy.

Submission of extensive environmental reports relating to the commencement of production of the Torrente Vulgano and Canaldente gas properties has been completed and preliminary approval has been received. The Company is now looking forward to finally place on production these wells after the final approval is received. Production of natural gas from the Torrente Vulgano and Canaldente properties is now expected to commence in 2015.

Technical problems in the San Teodoro gas field have been rectified and production is expected to start again shortly.

(b) **Argentina:** The Company will focus on managing the properties acquired in 2010 with the intention to increase production and cash flows. In this respect, in the last few months Zenith has conducted remedial operations with a workover rig and production has been steadily improving. The Company is also evaluating drilling operation on additional shallow formations with similar geological potential to the producing zones and the potential of deeper horizons which are rumoured to have been drilled very successfully by other operators in close proximity to the Don Alberto and Don Ernesto fields.

(c) **Nigeria:** Zenith has commenced preliminary negotiations to acquire interests in production and development permits. The Company is also participating in the upcoming bid round for the allocation of marginal fields.

(d) Azerbaijan: The Company is currently engaged in advanced negotiations with the local authorities regarding the potential assignment of a group of mature onshore oil fields to Zenith. The Company believes that the application of modern technologies may substantially improve the productivity of these fields,

If an agreement is reached, the Company will create a new subsidiary, Zenith Azerbaijan, to operate in the country.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the ordinary course of business, the Company and its subsidiaries may enter into contracts which contain indemnification provisions, such as service agreements, leasing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, and land use agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

The Company subleases premises in London, UK, under an operating lease on a month to month basis which requires payments of approximately $50,000 per annum.

BUSINESS RISKS AND UNCERTAINTIES

The Company has production operations in Argentina, and focuses the majority of its activities on exploration in Argentina and Italy. Some of the Company's operations and related assets are located in countries which carry a higher degree of political and economic risk.

Zenith's current oil production in Argentina is not receiving WTI equivalent prices as the selling price of oil in Argentina is fixed by the Government and is subject to minor price fluctuations. Oil and natural gas are commodities whose prices have fluctuated widely in recent years and are determined based on world demand, supply and other factors, all of which are beyond the control of the Company.

The Company operates in the petroleum and natural gas industry which is subject to numerous risks that can affect the amount of cash flow from operating activities and the ability to grow. These risks include but are not limited to:

- Global economic uncertainty;
- Risks associated with operating in foreign jurisdictions;
- Competition with more established companies and the availability of services;
- Volatility in commodity pricing, exchange and interest rates;
- Government and regulatory risk with respect to royalty and income tax regimes;
- Operation risks that may affect the quality and recoverability of reserves;
- Geological risks associated with accessing and recovering new quantities of reserves;
- Ability to capitalize on farm-in and farm-out opportunities as they arise;
- Production risks associated with the ability to extract commercial quantities of petroleum and natural gas;
- Transportation risk with respect to the ability to transport petroleum and natural gas to market;
- Third party credit risk and the resulting ability to collect amounts owed;
- Capital markets risk and the ability to finance future growth;
- Uncertainty as to the nature of evolving environmental legislation that is likely to result in stricter standards and enforcement ; and
- Environmental risk with respect to the ability to remedy spills, releases or emissions of various substances produced in association with petroleum and natural gas operations.

The Company will seek to minimize these business risks by:

- Employing management, technical staff and consultants with extensive industry experience;
- Maintaining a low cost structure;
- Maintaining prudent financial practices;
- Controlling timing and magnitude of operating and capital costs;
- Working with established industry partners; and

- Maintaining insurance in accordance with industry standards to address the risk of liability for pollution, blow-outs, property damage, personal injury and other hazards.

OTHER

Additional information related to the Company's business and activities can be found on SEDAR at **www.sedar.com**.