



ZENN Motor Company Inc.

Annual Information Form

February 19, 2014

Table of Contents

Cautionary Note Regarding Forward Looking Statements	4
Corporate Structure	5
Name, Address and Incorporation	5
Intercorporate Relationships	5
General Development of the Business	5
Description of the Business	7
General	7
Current Strategy	8
Sales and Marketing	9
Branding	9
Operations	9
Key Suppliers	9
Competition	10
Internet Strategy	10
EESstor, Inc. Technology Agreement	10
EESstor, Inc. Equity Investment	15
Proprietary Rights	16
Employees	16
Risk Factors	16
Market for Securities	20
Directors and Officers	20
Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions	21
Conflicts of Interest	22
Audit Committee	22
Description of Capital Structure	23
Shareholder Rights Plan	24
Escrowed Securities	24
Legal Proceedings	24
Interest of Management and Others in Material Transactions	24

Interest of Experts.....	25
Material Contracts.....	25
Transfer Agent and Registrar	25
Additional Information.....	25
Schedule A - Audit Committee Charter.....	26

ZENN Motor Company Inc.

Annual Information Form

Cautionary Note Regarding Forward Looking Statements

This Annual Information Form (“AIF”) contains “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of ZENN Motor Company Inc. to be materially different from those expressed or implied by such forward-looking statements. Risks and uncertainties that may face the Company include, but are not limited to: the EESstor energy storage technology, upon which the Company's plans and business strategy is substantially dependent, may not be successfully commercialized at all, or in a manner providing the features and benefits expected by EESstor while under development, or on a timely basis. Risks and uncertainties include but are not limited to other factors discussed in the section entitled “Description of the Business – Risk Factors” in this Annual Information Form. Although ZMC has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. ZMC does not undertake to update any forward-looking statements that are contained or incorporated by reference herein, except in accordance with applicable securities laws.

EESstor’s energy storage technology is still under development and a number of further development milestones must be achieved before commercial viability can be established. Testing by the Company or its consultants to date of Electrical Energy Storage Unit (“EESU”) layers supplied by EESstor has not shown that the layers store any meaningful amounts of energy. Unless better layers can be developed and confirmed through independent testing there can be no assurance that the EESstor technology will be successful. There are significant risks associated with the development of new technologies such as EESstor’s energy storage technology and readers are directed to the “Risk Factors” section of this Annual Information Form below.

Corporate Structure

Name, Address and Incorporation

ZENN Motor Company Inc. (formerly Feel Good Cars Corporation and prior to that, MCL Capital Inc.) (the "Company", "ZMC", "FGC" or "MCL" as the context requires) was incorporated under the *Business Corporations Act* (Ontario) by Articles of Incorporation dated September 28, 2004. Pursuant to Articles of Amendment dated November 5, 2004, the articles of MCL were amended to remove the restrictions on transfer of the Company's shares set forth therein. Pursuant to Articles of Amendment dated January 30, 2006, MCL's name was changed from MCL Capital Inc. to Feel Good Cars Corporation and the authorized capital altered by consolidating all of the then issued and outstanding common shares of MCL on the basis of one new common share for every three then existing common shares (the "Consolidation"). All references to common shares in this Annual Information Form are to post-Consolidation shares, unless otherwise noted. Pursuant to Articles of Amendment dated June 14, 2007, the name Feel Good Cars Corporation was changed to ZENN Motor Company Inc.

The Company's head and registered office is located at 21 St. Clair Avenue, East, Toronto, Ontario M4T 1L9.

ZENN Motor Company Inc. is a reporting issuer in the provinces of British Columbia, Alberta and Ontario and its common shares are listed on the TSX Venture Exchange under the trading symbol "ZNN".

Intercorporate Relationships

The Company has the following wholly owned subsidiaries, all incorporated under the laws of the Province of Ontario unless otherwise indicated:

- ZENN Motor Company Limited (formerly Feel Good Cars Inc.)
- ZENN Capital Inc.
- ZENNergy Inc.
- ZMC America, Inc. (a Delaware Corporation)

As used in this Annual Information Form, except as otherwise required by the context, reference to "ZMC" or the "Company" includes both ZENN Motor Company Inc. and its wholly owned subsidiaries. Any reference to "ZMCI" means ZENN Motor Company Inc. alone. Reference to "ZMCL" means ZENN Motor Company Limited alone. Reference to "ZCI" means ZENN Capital Inc. alone. References to "ZI" and "ZMC America" means ZENNergy Inc. and ZMC America, Inc. respectively, alone.

On January 23, 2014, the Company acquired controlling interest in EESstor, Inc. and holds a 68.4% interest in EESstor at the date hereof. The Company holds preferred shares and common shares of EESstor. EESstor was incorporated under the laws of the State of Delaware by Articles of Incorporation dated April 11, 2001.

General Development of the Business

MCL Capital Inc. was incorporated as a capital pool company in accordance with the policies of the TSX Venture Exchange. From incorporation on September 28, 2004 to January 30, 2006, MCL did not carry on any active business other than seeking and the investigation of acquisition opportunities. On January 30, 2006, MCL completed its qualifying transaction, being the acquisition of all of the issued and outstanding shares of Feel Good Cars Inc. ("FGCI") (now ZENN Motor Company Limited), then a Canadian controlled private corporation.

Feel Good Cars Inc. was established in 2000 to produce reproductions of the Henny-Kilowatt Electric Car, a battery-powered version of the early 1960's Renault Dauphine. Several prototypes were developed and displayed at trade shows. The founders determined that a better long-term strategy for an electric car was to convert a host platform in current production rather than relying on the limited automotive aftermarket for used Dauphines. Microcar S.A.S. ("Microcar"), a manufacturer of small internal combustion cars in Europe, was sourced and a memorandum of understanding was signed on September 14, 2001.

FGCI's initial operations were focused on prototype and market development. The operations were funded by the founders, their family members, private investors and shares-for-work programs.

In August 2004, FGCI signed an initial technology agreement with EESor whereby FGCI, upon payment of a total of US\$2,500,000 in milestone installments, would have specific exclusive and non-exclusive rights to a high-energy-density ceramic ultra capacitor called an Electrical Energy Storage Unit ("EESU") being developed by EESor.

In September 2005, FGCI began development of its first production prototype low speed electric vehicle based on the Microcar platform and powered by conventional lead acid batteries

In November 2005, MCL and FGCI and certain other parties entered into a qualifying transaction agreement ("Qualifying Transaction Agreement") providing for a proposed business combination between MCL and FGCI. Pursuant to the Qualifying Transaction Agreement, FGCI agreed to amalgamate with a wholly-owned subsidiary of MCL whereby shareholders of FGCI would receive 2.67 post-Consolidation common shares of MCL for each common share of FGCI held (the "Qualifying Transaction"). Under the Qualifying Transaction, warrants of FGCI would also be exchanged for warrants of MCL having the same terms and conditions, adjusted for the exchange ratio. On January 30, 2006, MCL acquired 100% of the shares of FGCI concluding the Qualifying Transaction pursuant to the rules of the TSX Venture Exchange.

In October 2006, the Company shipped its first production ZENN Low Speed Vehicles ("LSV"), nine months following the start of production engineering. At the date of the first shipments, the Company had signed 17 retailer locations in the United States.

In January 2007, the Company and EESor entered into an amended technology agreement whereby the Company acquired exclusive rights to the automotive retrofit market for 4-wheel vehicles that utilize internal combustion, electric, (or a combination thereof) drive systems and have been licensed for road use for more than one year and in consideration gave up its exclusivity to certain lighter-weight high performance sports cars that might otherwise have fallen under the agreement.

In January 2007, EESor announced its third party verification of powder purity results, triggering a milestone payment of US\$550,000 pursuant to the technology agreement, as amended.

In April 2007, the Company made an investment in the common shares of EESor, purchasing approximately 3.8% of the equity of EESor for US\$2,500,000. Under the terms of the investment, the Company acquired a right to invest an additional amount up to US\$5,000,000 within 30 days of the Company obtaining independent verification of permittivity tests meeting pre-defined specifications.

In April 2009, EESor announced positive permittivity test results of the chemicals to be used in its manufacturing process, a key milestone in its development of its EESU.

In May 2009, the Company confirmed third party certification of permittivity results announced by EESor in April. The third party verification triggered a US\$700,000 milestone payment under the technology agreement between EESor and the Company and permitted the Company to exercise the additional investment rights in EESor.

In July 2009, the Company exercised its additional investment rights in EESor making an investment of US\$5,000,000. At the conclusion of the additional investment, the Company held an approximate 10.7% equity interest in EESor.

In December 2009, the Company announced that it would cease production of the ZENN LSV prior to April 30, 2010.

In April 2010, the Company completed the closing of its St. Jerome, QC production facilities, selling off surplus LSV production assets and related inventory.

In May 2011, after changes to the Board, a comprehensive strategic review was completed and the Company implemented significant changes, including a number of management changes and the elimination of a number of management positions. The Company ceased investment in its own engineering and the development of technologies complimentary to EESor and simplified its structure. The new structure was designed to reduce cash burn in order to focus financial resources toward supporting the Company's investment in and technology

rights with EESor. The Company also determined that it would revisit the development of its own technologies once the path to commercialization of the EESor technology was clearer.

In April 2012, the Company completed a non-brokered private placement of common shares issuing and selling 2,350,000 units at a price of \$0.85 per unit for gross proceeds of \$1,997,500. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant entitled the holder to acquire one common share at a price of \$1.35 until December 10, 2013, as extended, of which 102,800 warrants were exercised prior to expiry and the remainder expired unexercised.

In May 2012, the Company entered into a new technology agreement with EESor (the "New Technology Agreement") which significantly expanded the Company's rights and improved upon the terms of the old technology agreement. The New Technology Agreement provides the Company with exclusivity to a potentially much larger market in automobiles and other vehicles. The New Technology Agreement no longer limits the Company by weight or category. In consideration for the new expanded technology rights awarded, the Company made an initial payment in the amount of US\$500,000. Further payments are subject to specified milestones, none of which have been achieved to date.

On June 30, 2013, the Company closed its service operations and ceased to provide parts and service support previously offered for LSVs.

On November 14, 2013, the Company completed a non-brokered private placement where the Company issued 3,704,000 units at \$1.00 per unit, each unit consisting of one share and one common share purchase warrant, resulting in gross proceeds of \$3,704,000 to the Company. Each warrant entitles the holder to purchase one common share of the Company for \$1.50 prior to May 14, 2015.

On December 20, 2013, the Company completed the purchase of 502,344 Series A Preferred Shares of EESor and certain rights associated with the ownership of such shares from various holders. The purchase price was US\$1.5 million in cash and 3,756,785 common shares of the Company. The acquisition resulted in the Company holding an approximate 41% equity and voting interest in EESor.

On January 23, 2014, the Company completed an agreement to obtain a controlling interest in EESor. In consideration for US\$1.0 million, the Company was issued 369,167 shares of Series A1 Preferred Stock of EESor which resulted in a 51% interest in EESor on an as-converted basis. In conjunction with the closing, an exchange right was exercised by various shareholders of EESor whereby 360,000 shares of EESor were exchanged for common shares of the Company on a 15 for 1 basis resulting in the issuance of 5,400,000 common shares of the Company. Following the exchange, the Company holds a 68.4% voting and equity interest in EESor.

Description of the Business

General

The Company, through its wholly owned subsidiary ZENN Motor Company Limited, holds certain technology rights upon payment of predetermined amounts, to an energy storage technology currently under development. If this technology is proven successful, it is targeted to reduce the weight factor of energy storage significantly when compared to conventional lead-acid batteries. Management believes that this technology, if proven successful, will allow the Company to develop commercially viable technologies and solutions that will enable its customers to offer electric powered vehicles with greater speed and range and at a lower total cost of ownership than is afforded today by conventional battery systems, opening the door to a broader and more rapid acceptance of electric motor vehicle transportation solutions.

In May 2011, following changes to the board, a strategic review was conducted resulting in the Company determining not to spend further resources on the development of the ZENNergy technologies and solutions until the timeline for the commercialization of EESor's technology is clearer, as a means of conserving financial resources.

The Company, through its wholly owned subsidiary ZENN Capital Inc. holds an equity interest in EESstor Inc. Over the past year, the Company has completed two significant acquisitions in EESstor which has resulted in the Company holding a controlling interest in EESstor, effective January 23, 2014. Management feels that with the recently completed acquisitions, the interest of ZCI and EESstor are now fully aligned. The Company is currently working on a transition plan for EESstor and actively assessing the current state of its EESU technology. Once it has completed the review of the EESstor technology, the Company expects to develop a plan to move the EESstor business forward. With the acquisition of a controlling stake in EESstor, the Company is better positioned to have input on the direction and strategy of EESstor.

The Company's head office is located in Toronto Canada and EESstor Inc.'s head office is located in Cedar Park, Texas.

Current Strategy

Since the Company's exit from the LSV business and the closing of its production and sales facilities, the Company is not currently selling any products. ZMC also ceased providing its service support as of June 30, 2013 and sold its remaining parts inventory to a third party supplier.

The foundation of the Company's strategy is intended to be the development of energy solutions, powered by EESstor's EESU and integrating value-add functionality.

The Company's primary goal is to become a supplier to original equipment manufacturers ("OEM"), Tier 1 companies and conversion upfitters in those markets where it has a strategic advantage by virtue of its New Technology Agreement with EESstor and its own proprietary technologies, when and if developed. The Company also understands that it may be difficult to build a sustainable business on its own and, if and when EESstor's technology is advanced, it may be prudent to explore the sale of the Company's rights or the sale of the Company as a whole. If the EESstor technology is successfully developed, the Company has a number of market opportunities including:

- Automobiles,
- Specialty vehicles (golf carts, LSVs, and certain other 4 wheeled conveyances)
- Trucks, buses, streetcars
- Other vehicles

The Company's success in each will be dependent upon the ability of EESstor to develop a commercially viable energy storage technology which is differentiated from other power storage technologies.

With the significant increase in equity interest of EESstor, the Company also is now positioned to benefit from the other revenue streams that might be available to EESstor including applications that may not involve energy storage.

Automobiles

The Company's goal, utilizing EESstor energy storage, would be to work with automotive OEMs and Tier 1 suppliers to develop solutions for implementation in the OEM's and Tier 1's products.

The automotive industry around the world continues to invest in the development of electric powered vehicles. Almost all OEMs have incorporated hybrid technology in their current portfolio of offerings and there are now many offerings of plug-in hybrids and pure EVs, with new products being announced on a regular basis.

Government incentives in many jurisdictions continue to play a pivotal role in the electrification of transportation solutions, and they will help to accelerate the manufacturing and deployment of next generation energy storage and electric vehicles.

Management believes that one of the more significant barriers to the adoption rate of electric vehicles, whether they are pure EVs or plug-in electric EV solutions, is the energy storage medium cost (the “battery”) for the requisite amount of on-board energy, which has a direct bearing on the size of vehicle, its design, ride characteristics and the resulting range and vehicle cost. Should the EESU meet the anticipated energy density, cost and performance characteristics, this major barrier to EV adoption could potentially be eliminated.

Management of the Company believes the new vehicle segment could represent the largest opportunity for future Company revenues. Compared to other market segments however, it will also require the most product development and testing prior to commercial introduction in significant volumes due to the highly regulated environment and automotive industry product development cycles. As such, there may be applications for the technology that could be pursued prior to the automobile market where the implementation cycle is faster.

Sales and Marketing

The Company’s decision to focus its resources on EESU has meant that it has discontinued efforts in sales and marketing for the time being. When and if the Company has products that are closer to commercialization it will likely develop a sales and marketing strategy.

Branding

The ZENN – “Zero Emission No Noise” – brand has achieved some recognition in the North American automotive and EV marketplace and has attracted attention in foreign markets such as Europe and Asia. The Company will reassess its brand when it is closer to commercialization.

Operations

The Company’s registered and head office is located in Toronto, ON at 21 St. Clair Avenue, East accommodating senior management and the finance and administration functions of the business.

EESU’s registered and head office is located in Cedar Park, Texas at 715 Discovery Boulevard accommodating senior management, research and development and the finance and administration functions of the business.

LSV Related Operations

On December 7, 2009, the Company announced that it would discontinue the production and sale of its ZENN LSV before April 30, 2010. In June 2013, the Company closed its service support department and sold its remaining parts inventory to a third party supplier.

Key Suppliers

EESU, Inc.

EESU is expected to be a key supplier of EESUs if and when commercially available. The Company has certain exclusive worldwide rights pursuant to the New Technology Agreement between the two companies. (see “EESU, Inc. Technology Agreement” below for details).

Other Suppliers

The Company has no other major suppliers.

Competition

Competition in the Company's strategy will come from a number of different groups, and while some will be strictly competitors, other groups may represent that unique situation in business where one's competitor might also be one's business partner.

The core of the strategy is the possible unique energy storage characteristics of the EESor EESU. As such, competitors would include the traditional and emerging large format battery companies, particularly those with a Lithium-based battery solution. This group of companies would include the following and similar companies:

- Johnson Matthey Battery (formerly Axeon)
- AESC
- Electrovaya
- EnerDel, Inc.
- IBM
- Johnson Controls
- K2 Energy
- LG Chem
- Lithium Energy Japan.
- Primearth EV Energy Co.
- Saft

Management also recognizes that competition on the energy storage level is not limited to battery technologies. There has been extensive investment in new technologies including lithium air and fuel cell technologies. Any solution that can outperform the anticipated characteristics of an EESU would represent a serious competitive threat. Similarly, there may be new energy storage technologies under development that the Company's management may not be aware of, whose performance may be equal or superior to an EESU which would present a competitive threat.

In addition to competition at the energy storage level, the competitive threat exists that internal combustion engine technology, while still carbon based but with a dominant market share in automotive, can in the short term and with the right economic conditions, provide a more cost effective solution than an EESU.

Internet Strategy

The Company's website, ZENNcars.com is used as a tool to disseminate news and information to the general public, the media as well as prospective partners, customers and investors.

EESor, Inc. Technology Agreement

EESor, a privately held company based in Cedar Park, Texas, is working to develop and manufacture a high-energy-density ceramic ultra capacitor called an Electrical Energy Storage Unit ("EESU"). An EESU is designed to act as a very high capacity battery. EESor has indicated it is targeting for its EESU to store over 10 times the energy of lead-acid batteries on a volume basis. EESor is also aiming for its EESU to have an up-front cost advantage relative to lithium-ion batteries in addition to greater longevity over traditional chemical based batteries. The Company has tested certain samples purchased from EESor, but to date has not been able to demonstrate that the EESU layers store energy in a meaningful way. The testing done by independent consultants to the Company has raised questions as to the reliability of prior testing results from EESor. The testing is very complex and ZENN and EESor are working towards developing appropriate protocols for testing of the layers on a go forward basis.

The following table outlines the parameters of different battery technologies required to store 52.2 kWh⁽¹⁾ of electrical energy.

	EESor EESU (Targeted Performance) ⁽²⁾	NiMH	LA(Gel)	Lithium-ion
Weight (kg)	130	780	1655	340
Volume (cubic centimeters)	74,413	293,015	705,380	93,360
Self-discharge rate	0.01%/30 days	5%/30 days	1%/30 days	1%/30 days
Life reduced with deep cycle use	None	Moderate	High	High
Full charge/discharge cycle capabilities	Over one million cycles without degradation	Thousands of cycles	Hundreds of cycles	Thousands of cycles
Hazardous materials	None	Yes	Yes	Yes
Temperature effect on energy storage	Very Low	High	Very High	High

(Source: EESor, Inc.).

⁽¹⁾Size selected for illustrative purposes.

⁽²⁾Targeted Performance has not been achieved to date and there is no certainty it will be achieved.

In August 2004, FGCi entered into an agreement with EESor (with subsequent amendments dated November 26, 2004, September 30, 2005, August 8, 2006, and January 22, 2007) (collectively, the "Old Technology Agreement") that provided certain exclusive and non-exclusive rights to purchase and deploy EESor's EESU technology. On May 15, 2012, the Company subsequently entered into a new technology agreement ("New Technology Agreement") that increased and improved upon the Company's exclusive worldwide rights ("Rights") to purchase EESUs as follows:

• **Exclusive Rights**

- a worldwide, exclusive, transferable, perpetual, fully paid-up, irrevocable right to purchase EESUs for Vehicles ("**Vehicle**" means any new or used vehicle that uses, in whole or in part, electrical energy, but does not include: (i) any vehicle having exactly one wheel, exactly two wheel or exactly three wheels; or (ii) any vehicle that ZMC would reasonably know is manufactured exclusively for sale to United States Federal (Civilian and Department of Defense Agencies) and State and Local Agencies. Also, ZMC must comply with the United States import and export law), including:
 - the right to purchase EESUs for resale to any other entity for use in any Vehicle; and
 - the right to purchase EESUs to build, develop and sell Combined Productsⁱ to any other entity for use in any vehicle.
- all further rights and licenses required to give effect to the foregoing.

Under the Old Agreement, the Company held exclusive rights to vehicles with a curb weight up to 1,400 kilograms, net of battery weight, but exclusions included pick-ups, trucks, SUVs, trams, buses and high performance sports cars. The New Technology Agreement is much broader and is not limited to automobiles.

As provided for in the New Technology Agreement, the Company's Rights are subject to making aggregate payments of US\$30,500,000 as defined milestones are achieved by EESor, which includes the US\$500,000 that was remaining under the Old Agreement (see item 4 below relating to staged payments).

To date, the Company has made payments associated with the Old Technology Agreement (US\$2,000,000 paid for previous milestones achieved) and the New Technology Agreement (US\$500,000 paid upon signing the New Technology Agreement) totalling US\$2,500,000.

To assist EESor with its working capital needs, the Company advanced US\$200,000 to EESor to be applied against payments payable under the milestones in the New Technology Agreement with certain adjustments depending on when EESUs were certified. Due to the missed timeline, the Company is entitled to deduct two dollars for every dollar advanced from amounts payable under the New Technology Agreement.

The New Technology Agreement provides for five staged payments tied to specific technical milestones aggregating US\$1,200,000 which are as follows:

1. \$200,000 within ten (10) business days following the collective completion of: (i) of an acceptable press releaseⁱⁱ announcing certification of individual layers of the EESU having certain performance characteristics; and (ii) the delivery of comprehensive test results;
2. US\$100,000 within ten (10) business days following the collective completion of: (i) the delivery of an agreed upon number of EESU layers substantially the same as those tested in item 1 above; and (ii) certification that the foregoing individual layers of the EESU have performance characteristics as agreed upon;
3. US\$200,000 within ten (10) business days following the collective completion of: (i) the delivery of EESUs having not less than the agreed upon number of layers; and (ii) certification that the foregoing EESUs has performance characteristics as agreed upon; US\$500,000 within fifteen (15) business days following the collective completion of: (i) the delivery by EESor to ZMC of production quality EESUsⁱⁱⁱ; and (ii) certification by a laboratory chosen by ZMC of the foregoing production quality EESUs have a continuous output of not less than 15 kilowatt hours that operates as agreed upon;
4. US\$200,000 within ten (10) business days following the collective completion of: (i) the delivery of production quality EESUs; and (ii) certification of the foregoing production quality EESUs having an electrical energy storage capacity as agreed upon and having performance characteristics as agreed upon; and (iii) an acceptable press release announcing production quality EESU described in this section;

Subsequent payments under the New Technology Agreement are as follows:

5. US\$3,800,000 within thirty (30) business days following the delivery of production quality EESUs having performance characteristics as agreed upon; and
6. US\$5,000,000 on the first, second, third, fourth and fifth anniversary of the delivery date set out in Section.

The foregoing summary of the New Technology Agreement is qualified in its entirety by reference to the New Technology Agreement, a copy of which has been filed and is available for viewing under the Company's profile on SEDAR (www.sedar.com).

EESor is developing its technology in a small production environment and would need to expand in order to achieve scale in production. The achievements that EESor has made to-date, including the purification of chemicals, the homogeneity of the combined product and the permittivity results, the individual layers have been achieved and in some cases third-party verified from materials produced in the production facility. If the EESor energy storage technology proves successful, management believes the technology could open the door to the mass commercialization of electric vehicles with speed and distance characteristics comparable to vehicles powered by conventional internal combustion engines.

ⁱ A definition of "Combined Product" is provided in the Technology Agreement filed on SEDAR, www.sedar.com;

ⁱⁱ A definition of "press release" is provided in the Technology Agreement filed on SEDAR, www.sedar.com;

ⁱⁱⁱ A definition of "production quality EESUs" is provided in the Technology Agreement filed on SEDAR, www.sedar.com

Following is a list of other key EESstor-related announcements and public information:

- In January 2008, Lockheed Martin, one of the world's largest defense contractors, announced an agreement with EESstor. The agreement gives Lockheed exclusive international rights to use EESstor's energy system for military and homeland-security applications.
- In September 2008, Light Electric Vehicles Company, an Oregon based company, announced it had concluded an agreement with EESstor for some of the two and three wheel vehicle market.
- In December 2008, Lockheed Martin filed a patent with the World Intellectual Property Organization for a body armor garment with an electrical energy storage layer, referencing EESstor's EESU as a possible element in this patent.
- In April 2009, EESstor issued a press release announcing it had achieved specific permittivity levels on its work product. This announcement set in motion the Company's independent verification of the results for purposes of the milestone payment under the Old Technology Agreement and the option to make an additional investment in EESstor equity.
- In November 2012, EESstor issued a press release announcing it had closed additional equity financing from one of its current investors. Under the terms of the agreement, the investor may invest additional amount in EESstor upon the achievement of certified energy density milestones from layers produced by EESstor's pilot production facility.
- In January 2013, EESstor issued a press release announcing the materials science context for its work and preliminary (pre-certification) results from energy storage layers built in its pilot production facility during early final tuning. The preliminary results show EESstor's patented composition modified barium titanate (CMBT) powder delivers the benefits of solid-state energy storage when used as a fundamental constituent in a paraelectric dielectric.
- In June 2013, EESstor issued a press release announcing that it had completed the initial certification of its new layer material and the voltage vs. capacitance of its composition-modified barium titanate (CMBT) powders. The data was certified by Criteria Labs which is located in Austin, Texas.
- In September 2013, EESstor issued a press release announcing the sale of its developed product samples to a private investor group.
- In October 2013, EESstor issued a press release announcing it has received multiple certification results from TesCom Calibration Services of Austin, Texas. TesCom performed certification on the EESstor testing equipment and calibrated to ANSI specifications.
- In October 2013, EESstor issued a joint press release with ZMC announcing it had selected Mr. Dave Evans of the Evans Capacitor Company, East Providence, R.I. to assist in developing testing protocols for the two companies. Mr. Evans visited the EESstor facility in November 2013 and was also given an in-depth demonstration pursuant to the third-party verification work conducted. Mr. Evans was given a thorough tour of the EESstor production facility with particular emphasis on the internal testing and quality assurance protocols and systems of EESstor.
- In December 2013 ZENN announced that the testing done by Evans on certain EESU layers supplied by EESstor had not demonstrated any meaningful energy storage capabilities.

EESstor has been pursuing the protection of its Intellectual Property for several years. The following summarizes some of the related information that is currently in the public domain. Further details on these and other filings can generally be found through the US Patent and Trademark Office.

Issued Patents

- **7,033,406** - Granted April 25, 2006, Application No. 09/833,609 - Filed April 12, 2001;
Electrical-energy-storage unit utilizing ceramic and integrated-circuit technologies for replacement of electrochemical batteries;
- **7,466,536** - Granted December 16, 2008, Application No. 10/917,144 - Filed August 13, 2004;
Utilization of poly (ethylene terephthalate) plastic and composition-modified barium titanate powders in a matrix that allows polarization and the use of integrated-circuit technologies for the production of lightweight ultrahigh electrical-energy storage units;
- **7,595,109** - Granted September 29, 2009, Application No. 11/400,875 - Filed April 10, 2006;
Continuation in part of application No. 09/833,609 or patent 7,033,406;
- **7,648,687** - Granted January 19, 2010, Application No. 11/453,581 - Filed June 15, 2006;
Method of purifying barium nitrate aqueous solution;
- **7,729,811** - Granted June 1, 2010, Application No. 11/499,594 - Filed August 14, 2006;
Systems and methods for utility grid power averaging, long term uninterruptible power supply, power line isolation from noise and transients and intelligent power transfer on demand;
Continuation in part of application No. 09/833,609 or patent 7,033,406 and 11/400,875 of patent 7,595,109;
- **7,914,755** - Granted March 29, 2011, Application No. 11/369,255 - Filed March 7, 2006;
Method of preparing ceramic powders using chelate precursors;
Continuation in part of application No. 09/833609 or patent 7,033,406;
- **7,993,611** – Granted August 9, 2011, Application No. 11/497,744 - Filed March 7, 2006;
Method of preparing ceramic powders using ammonium oxalate;
- **8,145,362** – Granted March 27, 2012, Application No. 12/785,380 - Filed May 10, 2010;
Utility grid power averaging and conditioning;
Continuation in part of application No. 11/499,594 or patent 7,729,811;
- **8,287,826** – Granted October 16, 2012, Application No. 12/885,290 - Filed September 17, 2010;
Selective-cation-removal purification of aluminium;
- **8,496,893** – Granted July 30, 2013, Application No. 12/823,826 - Filed July 25, 2010;
Fused quartz horizontal furnace and assembly; Method of forming a dielectric powder using aprecipitated precursor powder.

Patents Pending

In addition to the above issued patents, EESstor has a number of pending US and international patents in the pipeline on the subjects of powder preparation and processing:

- **Application No. 12/777,251** - Filed May 10, 2010;
Method of preparing ceramic powders;
Continuation in part of application No. 11/497,744 or patent, 7,993,611, 12/714,537 and 12/758,628;
- **Application No. 12/860,519** - Filed August 20, 2010;
Rapid activation fusible link;
- **Application No. 13/010,516** - Filed January 20, 2011;
Purification of barium ion source;
Application No. 13/039,165 - Filed March 2, 2011;
Oxide coated ceramic powders;

- **Application No. 13/400,517** - Filed February 20, 2012;
Power supply and power control circuitry;
- **Application No. 13/401,136** - Filed February 21, 2012;
Utility grid power averaging and conditioning;
Division of application No. 12/785,380.

EEStor was founded in 2001 by Richard Weir and Carl Nelson, former managers in disk storage design and manufacturing at IBM and Xerox. EEStor is a private company and does not publish its financial information.

EEStor, Inc. Equity Investment

In addition to the technology rights pursuant to the New Technology Agreement noted above, the Company holds approximately 68.4% equity interest in EEStor having made several direct equity investments in EEStor and acquired interests in EEStor directly from certain shareholders of EEStor in the aggregate amount of US\$10,250,000.

In April, 2007, the Company completed an initial investment in the common shares of EEStor acquiring an approximate 3.8% interest for a cash investment of US\$2,500,000. The terms of the investment also provided the Company with a right, exercisable at its sole discretion, to invest at the same price per share for an additional amount of up to US\$5,000,000 within 30 days of EEStor announcing its permittivity test results meeting the predetermined parameters and verified by an independent party. In May, 2009, the Company received independent verification of the permittivity results announced by EEStor and indicated its intention to exercise its additional investment rights. In July, the Company concluded the additional investment in EEStor in the amount of US\$5,000,000.

In March 2012, the Company participated as a minority investor in an equity financing by EEStor. As part of the investment, the Company received a warrant for every common share purchased. As a result of the three investments, the Company held an approximate 10.7% interest in the share capital of EEStor. None of the warrants were exercised.

In March 2013, the Company made an additional investment in the common shares of EEStor, in the amount of US\$50,000 (CDN\$51,950) for 828 common shares. The Company also received 1,213 common share purchase warrants that become exercisable upon achievement of specific milestones by EEStor.

In April 2013, the Company entered into an agreement with EEStor, which provided for certified test results to be verified by an independent third party laboratory of recently produced layers of its electrical energy storage units. Under the agreement the Company invested an initial US\$50,000 (CDN\$52,006) for 829 common shares. The Company also received 1,213 common share purchase warrants that become exercisable upon achievement of specific milestones by EEStor.

In October 2013, the Company made two additional investment in the common shares of EEStor, in the aggregate amount of US\$50,000 (CDN\$51,565) for an aggregate 1,657 common shares. The Company also received 1,657 common share purchase warrants that become exercisable upon achievement of specific milestones by EEStor.

In November 2013, the Company made an additional investment in the common shares of EEStor, in the amount of US\$50,000 (CDN\$52,830) for 1,401 common shares. The Company also received 1,401 common share purchase warrants that become exercisable upon achievement of specific milestones by EEStor.

In August 2013, the Company entered into an agreement to acquire additional shares of EEStor. Under the agreement the Company agreed to purchase 502,344 Series A Preferred Shares of EEStor and certain rights associated with the ownership of such shares from three arm's length vendors. The aggregate purchase price for the Series A Shares was US\$1,500,000 (CDN \$1,594,800) and 3,756,785 common shares of the Company. The transaction was completed on December 20, 2013.

In December 2013, the Company entered into an agreement to acquire additional shares of EEStor to provide it with a 51% controlling interest in EEStor. In consideration for US\$1,000,000(CDN\$1,107,390), the Company was issued 369,167 of Series A1 Preferred Shares of EEStor. The investment agreement also provided for the reconstitution of the EEStor board and senior management. In consideration for their facilitating the proposed transaction and changes in the board and management of EEStor, principals of EEStor were issued an aggregate of 600,000 common shares of the Company. The agreement also provided for a put right which was exercised upon closing and resulted in 360,000 shares of EEStor common stock being exchanged for 5,400,000 common stock of the Company on the basis of 15 common shares of the Company for every share of EEStor exchanged.

EEStor is a privately held company and there is no ready market for its securities. Furthermore, the Company's investment may be diluted should EEStor raise additional capital through share issuance. The Company does have certain protections against dilution in connection with its ownership of Preferred Stock of EEStor.

Proprietary Rights

The Company has either registered or has applied for registration of the trademarks "ZENN", "ZENN – Zero Emission No Noise" and "ZENNergy" in strategic markets. The Company currently has no proprietary protection other than its trademarks and relies primarily on trade secret laws to establish its proprietary interest and maintain the confidentiality of its products.

The Company is in the practice of securing non-disclosure or confidentiality agreements with suppliers and contractors with which it shares sensitive information.

Employees

As of the date hereof, the Company has three employees including executive and finance staff. None of the Company's personnel are represented by a labour union and the Company considers relations with its staff to be good. The Company will adjust its staffing complement in response to demands and opportunities in the business.

Management Personnel

In May 2011, the Company restructured its business and over the following few months discontinued its efforts in Sales, Marketing and Engineering. Following are the key management personnel of the Company:

James Kofman, Interim Chief Executive Officer, Chairman of the Board

Mr. Kofman became Interim CEO of ZMCI in May of 2011 and was appointed Chairman of the Board in May 2011. Mr. Kofman is Vice-Chairman of Cormark Securities Inc, a Canadian based securities dealer. He was formerly Vice Chairman of UBS Securities Canada Inc. and a partner in the law firm of Osler, Hoskin & Harcourt.

Natasha Vandesluis, Chief Financial Officer

Ms. Vandesluis has been a member of the finance team since 2007. Ms. Vandesluis has nine years of experience in financial management in the public sector. Ms. Vandesluis has completed the Bachelor of Applied Business Administration degree program through the Southern Alberta Institute of Technology. Ms. Vandesluis is a member in good standing with the Certified General Accountants organization.

Risk Factors

An investment in ZENN Motor Company Inc. should be considered highly speculative due to the nature of the Company's activities and its present stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Investors should carefully consider the following risk factors:

EESstor's EESU Technology

The EESstor energy storage technology is still under development and there can be no assurance that it will be successfully commercialized at all or on a timely basis, that the expected benefits will be achieved or that the Company will be able to successfully incorporate this technology into its proposed products. Any failure by EESstor to successfully fund development and commercialize its EESU, or if successfully commercialized, any failure by the Company to incorporate the EESstor EESU into its proposed products, when required could result in such products having reduced efficacy and benefits to the consumer and could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

While EESstor has conducted a number of tests of its EESU layers, to date the testing done by consultants to the Company of certain layers provided by EESstor for testing, has not demonstrated that the layers have any meaningful energy storage capability. While the Company is working with EESstor to develop reliable testing protocols, there is no assurance the EESU layers can store energy. Further, prior testing procedures did not focus on measuring energy that could be taken out of the EESU layers and as such, the testing results may not be indicative of actual energy storage capabilities.

There can be no assurance about the timing of the development of EESstor's EESU technology.

Early Stage Company

The Company is in the early stages of development. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and evolving markets, such as the electric vehicle market. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market and technological changes, acceptance by consumers of the Company's products, and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in doing what is required to address these risks.

The Company's operations are subject to all of the risks inherent in the establishment of a new business enterprise including delays, product and technology development setbacks, system problems and other unforeseen events that may have a material adverse effect on the Company.

As an early stage company, there is a limited operating history upon which to base an evaluation of the Company's business and prospects and there is no assurance that it will operate profitably or provide a return on investment in the future.

Energy Solutions

The Company's business and financial plan relies heavily on the development of technology that is complimentary to the EESstor technology. There can be no assurance that the Company will be able to develop such technologies. Should the Company fail to attract one or more OEMs for the Company's possible energy solutions or, if contracted, the parties fail to collaboratively develop a viable product or fail to do so on a timely basis, the results of which could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Technology Risks

The Company's has suspended its product development programs and will have to hire individuals who can lead the development of its technologies. There can be no assurance that any technologies and solutions will not have some unforeseen technological issues which may have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects. Further there can be no assurance that qualified personnel will be available to the Company when required.

EESstor Technology Agreement

The Company's rights to purchase and resell the energy storage technology being developed by EESstor are subject to the Company making additional payments to EESstor on the achievement of certain technical milestones and otherwise complying with the terms of the New Technology Agreement. Any failure of the Company to make the

remaining milestone payment or to do so by the deadline date required or to otherwise comply with the terms of the agreement, could result in the termination of the Company's rights and could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects. The New Technology Agreement contemplates that EESstor and the Company will enter into a supply agreement. Reaching a satisfactory outcome on such agreement will be critical to the Company's success.

The Company relies entirely on the success of EESstor in developing its technology. Testing by the Company or its consultants to date of certain EESU layers supplied by EESstor has not shown that the layers store any meaningful amounts of energy. Unless better layers can be developed and confirmed through independent testing there can be no assurance that the EESstor technology will be successful.

Investment in EESstor

EESstor is a private company and there are restrictions on the transferability of the shares acquired by the Company. There can be no assurance that the EESstor shares will not decrease in value below the amount paid by the Company or that the Company will be able to sell part or all of its investment, should it desire to do so.

Reliance on EESstor

The Company will be heavily dependent on the supply of EESUs from EESstor for its commercialization strategy, when and if the EESU is commercially available. Interruption in the supply of EESUs, when developed, may have a material adverse effect on the ongoing operations of the Company, depending on a number of factors including, the Company's inventory on hand and the nature and duration of the interruption.

History of Losses

To date, the Company has a history of limited revenues and has generated losses from operations. The Company expects to continue to incur significant expenditures for general administrative activities. There can be no assurance that the Company's strategies will result in the Company becoming profitable or generating positive cash flows.

Additional Financing Requirements

To date, the Company has relied primarily on equity financing to carry on its business. The exact amount of the Company's future capital requirements will depend on numerous factors, including, but not limited to, market acceptance of the Company's strategy, success and timing of EESstor's product development, delays in the growth of the Company's customer base for its solutions, sales and margins, requisite operating costs, failure or delays in launching products or in executing marketing programs, growth that is more rapid than anticipated or competitive pressures. The Company may also need to raise funds in order to acquire businesses, technologies or products or fund investments and other relationships the Company believes are strategic.

Any future financings may result in substantial dilution to the holdings of current shareholders of the Company and could have a negative impact on the market price of the common shares.

There can be no assurance that additional financing, when required, will be available on commercially reasonable terms or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to fund its expansion, take advantage of strategic acquisitions or investment opportunities or respond to competitive pressures. Such inability to obtain additional financing when needed could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Economic Conditions

Conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy. Adverse general economic conditions may negatively affect the sales of the Company's products, increase the cost and decrease the availability of financing, increase the risk of loss on investments, or increase costs associated with manufacturing and distributing products.

Business and Marketing Plans

The Company's business and marketing plans have not yet been developed. The Company's business and financial plan relies heavily on products, including the EESor EESU, which are still in development and new to the marketplace. Poor market acceptance of the Company's products or other unanticipated events may result in lower revenues than anticipated, making the funds for certain planned expenditures on advertising and promotion unachievable. The investment in time and money that is needed to realize the potential of the Company's products is based on management's experience but may not be sufficiently understood. Accordingly, sales may occur more slowly than projected. Reduced sales may require the Company to seek additional funding over and above that anticipated in its business plan.

Government Regulation

The activities of the Company are subject to various federal, provincial, state and local laws governing production, safety standards, taxes, labour standards and occupational health, environmental and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the production or sale of the Company's future product offerings. Amendments to current laws and regulations or more stringent implementation thereof could also have a substantial adverse impact on the Company.

Dependence on Key Personnel; Need for Additional Personnel

The Company's success is dependent on the ability and experience of a relatively small number of key personnel, the loss of any of whom could have a significant adverse effect on the Company. Competition for personnel, particularly persons having relevant technical expertise, is intense, and there can be no assurance that the Company will retain existing personnel or hire additional, qualified personnel. The inability of the Company to retain and attract the necessary personnel or the loss of services of any of its key personnel could have a material adverse effect on the Company.

Protection of Intellectual Property

The Company's ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology developments and processes. The Company relies on a combination of trademark and trade secret laws as well as technical measures to establish and protect its proprietary rights. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's trademarks, trade names or other similar proprietary rights. In addition, there can be no assurance that third parties will not assert infringement claims against the Company.

Competition

The Company's products will compete against those of other companies, some of which may have greater financial, marketing and other resources than those of the Company. These competitors may be able to institute and sustain price wars, or imitate the features of the Company's products, or develop products providing greater benefits or market appeal than the Company's products, resulting in market dilution and reduced profit margins.

Dependence on Third Party Suppliers

The successful introduction of the Company's solutions will be dependent upon satisfactory arrangements for the supply, manufacture or assembly of components. In the event arrangements are either not concluded at all or not concluded on a timely basis, or if concluded, the suppliers experience production difficulties, delays or disruptions, the Company may not be able to obtain adequate supplies of components in a timely fashion or at acceptable quality, quantity, timing or prices. Any disruption in the supply, manufacture or assembly of the Company's products could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Insurance

The Company has secured product liability and other insurance to protect against certain risks in such amounts as it considers adequate. The nature of these risks is such that liabilities might exceed insurance policy limits which may have a material adverse effect on the Company. Furthermore, there is no assurance that the Company will be able to secure insurance in future years either at all or on commercially reasonable terms.

Dividends

No dividends have been declared or paid by the Company since incorporation. The Board of the Company currently does not anticipate paying any dividends but intends to retain any earnings to finance the growth and development of the business of the Company. The directors of the Company will review this policy from time to time in the context of the Company's earnings, financial condition and other relevant factors.

Market for Securities

Trading price and Volume

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange ("TSXV") under the symbol "ZNN". The following table sets forth information relating to the monthly trading of the common shares on the TSXV for the most recently completed fiscal year ended September 30, 2013.

Period	High (C\$)	Low (C\$)	Volume (# of Shares)
October 2012	0.91	0.71	645,298
November 2012	0.83	0.65	406,294
December 2012	0.85	0.64	539,930
January 2013	1.67	0.63	2,779,436
February 2013	1.70	1.03	2,967,777
March 2013	1.47	1.20	557,396
April 2013	1.30	0.80	1,187,751
May 2013	1.94	1.01	2,200,315
June 2013	1.42	0.80	1,858,497
July 2013	1.18	0.80	1,305,154
August 2013	0.96	0.80	895,617
September 2013	0.98	0.77	1,106,138

Prior Sales

On November 14, 2013, the Company issued an aggregate of 3,704,000 units at a price of \$1.00 per unit raising gross proceeds of \$3,704,000. Each unit consisted of one common share and one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at a price of \$1.50 until May 14, 2015.

In addition to the above mentioned offering, the Company issued the stock options disclosed in Note 14 to the audited consolidated financial statements of the Company for the years ended September 30, 2013 and 2012.

Directors and Officers

Directors are elected at each annual meeting and hold office until the next annual meeting or until their successors are elected or appointed. The names and municipalities of residence of the directors and executive officers of the Company, the positions and offices held by them in the Company, and their respective principal occupations as of the date hereof are as follows:

Name and Municipality of Residence	Position with Company	Period of Service as a Director	Principal Occupation for Last Five Years
Ian Clifford Toronto, Ontario ⁽¹⁾⁽²⁾⁽³⁾	Founder and Vice Chair	Since January, 2006	CEO ZENN Motor Company Inc., (January 2006 to February 2011) President and Chief Executive Officer, Feel Good Cars Inc. (prior to January 2006)
Allan Gregg Toronto, Ontario ⁽¹⁾⁽²⁾	Director	Since March 2011	Market Researcher and Broadcaster
Roger Hammock Pasadena, California ⁽¹⁾⁽⁵⁾	Director	Since March 2011	Investor
James Kofman Toronto, Ontario ⁽²⁾⁽⁴⁾	Interim CEO, Chairman of the Board	Since March 2011	Vice Chairman of Cormark Securities Inc (since September 2011), President of JEK Capital Advice (Nov 2009 to September 2011), Vice Chairman UBS Securities Canada Inc (December 1996 to November 2009)
Stewart Somers Toronto, Ontario ⁽¹⁾⁽²⁾	Director	Since January, 2006	President of S. D. Somers and Associates Inc.(since 1976), Vice President of Spergel & Associates Inc. (2001 to 2013)
Natasha Vandesluis Toronto, Ontario	Chief Financial Officer	NA	Chief Financial Officer, ZENN Motor Company Inc. (since September 2011) Accounting Manager, ZENN Motor Company Inc. (January 2007 to September 2011)

The Company does not have an Executive Committee.

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Compensation Committee

⁽³⁾ Appointed as Founder and Vice Chair in February 2011

⁽⁴⁾ Appointed as Interim CEO as of May 2011

⁽⁵⁾ Appointed as EVP, EESor Relations from January 31, 2013 until February 2014

As of the date of this AIF, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 1,775,027 common shares representing approximately 3.4% of the number of outstanding common shares of the Company.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that:

- i. while that person was acting in such capacity was subject to a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, in effect for a period of more than 30 consecutive days; or
- ii. was subject to a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer in the relevant corporation, in effect for a period of more than 30 consecutive days.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- i. is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive director of any company that, while that person was acting in such capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- ii. has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- i. any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- ii. any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other companies and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (Ontario) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Audit Committee

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full Board.

The Audit Committee's charter, a copy of which is attached at Schedule A hereto, sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Board.

The Audit Committee is comprised of three non-management directors and one management director. The independent directors of the Company's Audit Committee must meet an additional "independence" test under National Instrument 52-110, "Audit Committees" in that their directors' fees are the only compensation they, or their firms, receive from the Company and that they are not affiliated with the Company. Messrs. Clifford, Gregg and Somers are considered independent under the additional independence test; however Mr. Hammock does not meet the independence test as a result of his recent employment with the Company.

Each member of the Audit Committee is also financially literate within the meaning of National Instrument 52-110.

Relevant Education and Experience

Set out below is a description of the education and experience of each of the Company's current audit committee members, which is relevant to the performance of his responsibilities as an audit committee member.

- Mr. Stewart Somers, Chairman of the Audit Committee, is President of S. D. Somers & Associates Inc., a company engaged in providing management support. He is a graduate of the University of Toronto with a degree in Economics and is an active member of the Institute of Chartered Accountants of Ontario.
- Mr. Allan Gregg, is the Chairman of Harris Decima, one of Canada's leading market research companies. In 2012, he was inducted into the Canadian Hall of Legends. He holds a BA and MA in political science.
- Mr. Ian Clifford, has five years of public company experience as a result of his role as CEO with ZENN Motor Company. He also has over twenty years of entrepreneurial experience which required an understanding of accounting principles, internal controls and procedures for financial reporting.
- Mr. Roger Hammock, holds an MBA and a degree in Economics and has experience in management and operations of public companies. Mr. Hammock also served for three years as an independent director of a NASDAQ listed company.

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

External Auditor Service Fees

The following table summarizes the fees billed by the Company's external auditors for professional services rendered to the Company during fiscal years ended September 30, 2013 and 2012 for audit and non-audit related services:

Type of Work	Year Ended September 30, 2013	Year Ended September 30, 2012
Audit fees	\$32,960	\$38,110
Audit related fees	Nil	nil
Tax advisory fees	\$5,150	\$5,150
All other fees	Nil	nil
Total	\$38,110	\$43,260

Exemption

The Company is relying upon the exemption in section 6.1 of National Instrument 52-110 in respect of the composition of its audit committee and in respect of its reporting obligations under National Instrument 52-110 for the year ended September 30, 2013. This exemption exempts a "venture issuer" from the requirement for all members of its audit committee to be independent, as would otherwise be required by National Instrument 52-110.

Description of Capital Structure

The authorized capital of the Company consists of an unlimited number of common shares. As at the date hereof, there were 53,471,498 common shares issued and outstanding.

Common shares carry equal rights in that the holders thereof participate equally, share for share, as to dividends declared by the Board of Directors of the Company out of funds legally available for the payment of such dividends. In the event of the liquidation, dissolution or winding-up of the Company, the holders of the common shares would be entitled, share for share, to receive on a pro rata basis all of the assets of the Company after payment of all of the

Company's liabilities. The holders of the common shares are entitled to receive notice of any meetings of shareholders of the Company and are entitled to attend and vote at such meetings. Common shares carry one vote per share.

Shareholder Rights Plan

The Company's directors have adopted a shareholder rights plan (the "Rights Plan") which was confirmed by a vote of the shareholders at the March 27, 2012 Annual and Special Meeting of the Shareholders of the Company. The primary objectives of the Rights Plan are to ensure that, in the context of an unsolicited bid for control of the Company through an acquisition of its common shares, the following occurs: (i) the board of directors of the Company has sufficient time to explore and develop alternatives for maximizing shareholder value; (ii) there is adequate time for competing bids to emerge; (iii) shareholders have an equal opportunity to participate in such a bid; (iv) shareholders are provided with adequate time to properly assess the bid; and (v) the reduction in the pressure to tender which may be encountered by a shareholder in the course of a bid.

The Rights Plan creates a right that attaches to each present and subsequently issued common share. Until the separation time, which typically occurs at the time of an unsolicited take-over bid, whereby an offeror (including persons acting jointly or in concert with the offeror) acquires or attempts to acquire 20% or more of the Company's common shares, the rights are not separable from the common shares, are not exercisable and no separate rights certificates are issued. Each right entitles the holder, other than the unsolicited bidder, from and after the separation time and before the expiration time, to acquire common shares at a discount to the market price of the Company's common shares at that time.

Pursuant to the terms of the Rights Plan, any take-over bid that meets specified criteria intended to protect the interests of all shareholders is deemed to be a "Permitted Bid". A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws, must be made to all the Company's common shareholders other than the offeror and, in addition to certain other conditions, must remain open for a minimum of 60 days.

The Rights Plan has a term of three (3) years and then must be resubmitted to the shareholders for ratification.

Escrowed Securities

There are no shares of the Company held in escrow pursuant to the requirements of securities regulatory authorities. In conjunction with the Company's recent acquisition of a controlling stake in EEStor, 150,000 common shares of the Company were issued to Richard D. Weir for facilitating the change of control transaction and certain changes in the board and management of EEStor. These shares are being held in escrow by the Company for a period of 4 months and will be released to Mr. Weir at the end of the 4 month period subject to the satisfaction of the conditions specified in the Investment Agreement dated December 20, 2013 between the parties.

Legal Proceedings

The Company is not a party to any material legal proceedings and is not aware of any such proceedings that are contemplated. During our financial year ended September 30, 2013: (i) no penalties or sanctions were imposed against us by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions were imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision; and (iii) the Company did not enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority.

Interest of Management and Others in Material Transactions

Other than as disclosed elsewhere herein or in a document incorporated by reference herein, none of the directors, executive officers or principal shareholders of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three most recently completed financial years or in any proposed transaction that has materially affected or will materially affect the Company or any of its subsidiaries other than:

During the year ended September 30, 2011, the Company provided Mr. Clifford, in his capacity as a non-management Director and former CEO of the Company, a \$45,000 consulting retainer subsequent to the expiry of his employment agreement as CEO of the Company.

During the year ended September 30, 2011, the Company reimbursed Mr. Clifford a total of \$325,000 for certain professional and advisory fees incurred by him in connection with various discussions and arrangements which the Company undertook with certain shareholders of the Company resulting in the resignation and replacement of three directors. Of the total amount reimbursed, \$75,000 was satisfied by the issuance of 45,150 shares of the Company to Mr. Clifford, with the remainder settled in cash.

Interest of Experts

Set forth below are the persons and companies who prepared or certified a statement, report, valuation or opinion described, included or referred to in a filing that we made under National Instrument 51-102 during or relating to our most recently completed financial year.

Collins Barrow Toronto, LLP, Chartered Accountants, Toronto, Ontario are the auditors for the Company and such firm has prepared an opinion with respect to the Company's financial statements as at and for the fiscal year ended September 30, 2013. Collins Barrow Toronto, LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Ontario.

Mr. John Galvagni, an independent consultant to the Company, prepared a report dated October 23, 2012, as amended November 6, 2012, documenting his observations on the technological progress achieved by EEStor during his site visits to the EEStor facilities.

Interests of Experts

None of the experts named under "Names of Experts" above has received or will receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of any of the Company's associates or affiliates in connection with the preparation or certification of any statement, report or valuation prepared by such person. To the knowledge of the Company, none of the experts so named (or any of the designated professionals thereof) held securities of the Company representing more than 1% of all issued and outstanding securities of that class as at the date of the statement, report or valuation in question.

Material Contracts

The Company has no material contracts entered into within the year ended September 30, 2013 or before such time that are still in effect, other than the New Technology Agreement and those entered into in the ordinary course of business.

Transfer Agent and Registrar

The transfer agent and registrar for the common shares of the Company is TMX Equity Transfer Services Inc., at its principal office in Toronto, Ontario.

Additional Information

Additional information, regarding directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional information is also provided in the Company's financial statements and Management's Discussion & Analysis for its most recently completed financial year. Additional information relating to the Company may also be found on SEDAR at www.sedar.com.

Schedule A - Audit Committee Charter

1. Pursuant to the General By-law of ZENN Motor Company Inc. (the "Company"), a committee of the directors to be known as the "Audit Committee" (hereinafter referred to as the "Committee") is hereby established.
2. The Committee shall be composed of a minimum of three directors, and the Committee and its membership shall meet all applicable legal, securities regulatory and stock exchange requirements relating to composition and the qualifications of its members as may be in effect from time to time, including, without limitation, requirements relating to the independence and financial literacy of its members.
3. The members of the Committee shall be appointed or reappointed at the meeting of the Board of Directors (the "Board") immediately following each Annual Meeting of the Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until his successor is appointed, unless he shall resign or be removed by the Board or he shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy.
4. The Board or, in the event of its failure to do so, the members of the Committee, shall appoint a Chairman from amongst their number. If the Chairman of the Committee is not present at any meeting of the Committee, the Chairman of the meeting shall be chosen by the Committee from among the members present. The Chairman presiding at any meeting of the Committee shall have a casting vote in case of a deadlock. The Committee shall also appoint a Secretary who need not be a director.
5. The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:
 - a. a quorum for meetings shall be not less than 50% of the members of the Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
 - b. the Committee shall meet at least quarterly, at the discretion of the Chairman or a majority of its members, as circumstances dictate; and
 - c. notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive notice of a meeting; and attendance of a member at a meeting is a waiver of notice of a meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. A meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chairman or Chief Executive Officer of the Company, by any member of the Committee, the external auditors or internal auditors. Notwithstanding the provisions of this paragraph, the Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee.
6. The Committee shall:
 - a. in connection with its advisory functions:
 - i. review and recommend to the Board for approval, as applicable, the Company's annual report, annual information form, audited annual financial statements and related management discussion and analysis, all financial statements in prospectuses and other offering memoranda and all financial statements required by regulatory authorities;
 - ii. review with management and report to the Board, on an annual basis, on the financing plans and objectives of the Company;

- iii. review the internal audit procedures of the Company and advise the Board on auditing practices and procedures;
 - iv. meet and communicate directly with the external auditors and internal auditors and report to the Board on such meetings and communications;
 - v. make recommendations to the Board with respect to the nomination and remuneration of external auditors to be appointed at each Annual Meeting of Shareholders;
 - vi. receive periodically, reports on the nature and extent of compliance with requirements regarding statutory deductions and remittances, including deductions and remittances under the Income Tax Act (Canada), the Excise Tax Act (Canada) and the Employment Insurance Act (Canada), the nature and extent of non-compliance together with the reasons therefor, and the plan and timetable to correct deficiencies and report to the Board on the status of such matters;
- b. in connection with the exercise of its powers:
- i. be directly responsible for overseeing the work of the external auditors who shall be required by the Company to report directly to the Committee;
 - ii. review and approve the interim reports of the Company and the financial statements and related management discussion and analysis contained therein and review and approve the press releases on quarterly and year-end financial results;
 - iii. review all prospectuses and documents which may be incorporated by reference into a prospectus, including without limitation, material change reports and the annual proxy circular;
 - iv. review all foreign currency risks strategies presented by senior management and, in accordance with the authority delegated by the Board, approve those foreign currency risk strategies they consider appropriate;
 - v. review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
 - vi. ensure that there are adequate procedures in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements (other than those disclosures required by this charter to be reviewed and/or approved by the Committee), and periodically assess the adequacy of these procedures;
 - vii. review the audit plans of the internal and external auditors of the Company including the degree of coordination in those plans and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Any significant recommendations made by the auditors for the strengthening of internal controls will be reviewed;
 - viii. review the internal control procedures to ensure compliance with applicable law and avoidance of conflicts of interest including without limitation, a review of policies and practice concerning regular examination of officers' expenses and perquisites, including the use of the Company's assets, and enquire as to the results of these examinations;
 - ix. review the duties and responsibilities of internal audit staff, including controls, procedures and accounting practices of the Company with both external and internal auditors;
 - x. review management programs and policies regarding the adequacy and effectiveness of internal controls over the accounting and financial reporting systems within the Company and, in particular, the Committee will review management's response to the internal control recommendations of the internal and external auditors;

- xi. review management plans regarding any changes in accounting practices or policies and the financial impact thereof and review any major areas of management judgment and estimates that have a significant effect upon the financial statements;
 - xii. review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements;
 - xiii. review the minutes of any audit committee meetings of subsidiaries of the Company and any significant issues and auditor recommendations concerning such subsidiaries;
 - xiv. pre-approve all non-audit related services to be provided by the external auditors and the fees related thereto (which pre-approval function may be delegated to one or more independent members provided that such pre-approved services are presented at the next meeting of the Committee) and assess the impact of such non-audit related services on the independence of the external auditors;
 - xv. review the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of internal audit and other support provided by the Company to the external auditors and review all other non-audit fees of the auditors or other accounting firms;
 - xvi. establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- c. have the authority to:
- i. engage independent counsel and other advisors, consultants or experts as it determines necessary to carry out its duties at the expense of the Company and to set and pay the compensation for advisors employed by the audit committee;
 - ii. communicate directly with the internal and external auditors; and
 - iii. conduct any investigation appropriate to its responsibilities, and to request the external auditors as well as any officer of the Company, or outside counsel for the Company, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.