This "Management's Discussion and Analysis" ("MD&A") has been prepared as of January 24, 2013, and should be read in conjunction with the audited consolidated financial statements of ZENN Motor Company Inc. (the "Company" or "ZMC") for the years ended September 30, 2012 and 2011 and the Company's Annual Information Form ("AIF") dated January 24, 2013. The Company's audited consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars unless otherwise stated. (See "Transition to International Financial Reporting Standards" under "New Accounting Pronouncements" in this Management's Discussion and Analysis). All financial analysis, data and information set out in this MD&A are unaudited.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below and the "Risk Factors" section of the Company's AIF dated January 24, 2013. Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

Information contained in this MD&A relating to EEStor, Inc. ("EEStor") or the energy storage technology being developed by EEStor has not been reviewed by EEStor and EEStor does not assume any responsibility for the accuracy or completeness of such information.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

OVERVIEW OF BUSINESS

ZENN Motor Company Inc. operates on the principle and belief that electric vehicles ("EV") will be a major component of the vehicles of the future. Given the numerous financial, environmental and political issues associated with oil consumption, the Company continues to foresee an inevitable shift away from fossil fuels to the more sustainable and efficient electric drive systems for transportation. Major automotive original equipment manufacturers ("OEMs") continue to accelerate the promotion of their current and future pure electric and hybrid electric vehicle programs and have invested large amounts of capital to develop electric and hybrid product lines. However, consumer adoption of these models has been muted by the cost and range limitations of current battery technology.

The Company holds certain technology rights, upon payment of predetermined amounts, to an energy storage technology currently under development by EEStor. If this technology is proven successful, it is expected to reduce the weight factor of energy storage by up to 90% when compared to conventional lead-acid batteries. The energy storage technology is explained in the Company's AIF dated January 24, 2013 in the section entitled "EEStor, Inc. Technology Agreement". 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 vehicle transportation solutions.

The Company's mission is to be the provider of leading edge power storage solutions and related technologies to the transportation industry. The Company's on-going business strategy is focused on capitalizing on EEStor's capacitor-based energy storage technology, if and when commercialized.

Following a strategic review in 2011, the Company decided not to spend further resources on the development of its ZENNergy™ technologies and solutions until the timeline for the commercialization of EEStor's technology is clearer.

HIGHLIGHTS AND SUMMARY

The following summarizes the key events in the development of the Company during the year ended September 30, 2012 and up to the date of this MD&A:

Board and Management

- On February 23, 2012, the Company announced the appointment of Ms. Natasha Vandesluis as Chief Financial Officer. Ms. Vandesluis had held the position on an interim basis since September 1, 2011.
- On April 18, 2012, in lieu of a cash compensation, the Company agreed to grant Mr. James Kofman 325,000 options for his role as Interim Chief Executive Officer at an exercise price of $1.35 per share.
- On April 18, 2012, as part of its annual compensation review, the Company granted stock options to acquire an aggregate of 100,000 common shares to each of the directors of the Company other than Mr. Kofman under the Company's stock option plan at an exercise price of $1.35 per share.

Financial Highlights

- In the three months and year ended September 30, 2012, the Company incurred net losses of $388,849 and $1,682,957 respectively, compared with $844,094 and $4,498,702 in the corresponding periods of the prior year. On a per share basis, for the three months and year ended September 30, 2012, the Company incurred net losses of $0.01 and $0.04 respectively, compared with $0.02 and $0.12 in the corresponding periods of the prior year.
- The Company incurred losses from continuing operations of $350,236 and $1,528,425 respectively, in the three months and year ended September 30, 2012, compared to $751,558 and $4,114,331 in the corresponding periods of the prior year. On a per share basis, the Company's losses from continuing operations were $0.01 and $0.04 respectively, compared to $0.02 and $0.11 in the prior year.
- In the three months and year ended September 30, 2012, the Company incurred losses from discontinued operations of $38,613 and $154,532 respectively, compared to $92,536 and $384,371 in the corresponding periods of the prior year. On a per share basis, the Company's losses from discontinued operations were $0.00 and $0.00 respectively, compared to $0.00 and $0.01 in the prior year.
- During the three months and year ended September 30, 2012, the Company used $105,493 and $1,078,599, respectively, of cash in its continuing operations, as compared to $249,422 and $2,969,910, respectively, in the same periods of the prior year.
- On March 23, 2012, the Company made an additional investment in the common shares of EEStor, in the amount of US$50,084(CDN$49,458).

- On April 13, 2012, the Company completed a non-brokered private placement in which it issued 2,350,000 units, each unit consisting of one common share and one common share purchase warrant at $0.85 per unit resulting in net proceeds of $1,825,478.

Other

- On May 15, 2012, the Company signed a new technology agreement with EEStor that replaces and supercedes the prior technology agreement and increases and improves upon the Company's exclusive rights ("New Technology Agreement"). An initial payment of US$500,000(CDN$505,150) was paid upon signing of the agreement.
- On May 15, 2012, EEStor released a statement discussing the current status of its technological development.
- On June 21, 2012, EEStor released a subsequent statement discussing its progress since its prior statement.
- On September 12, 2012, the Company issued a statement (in lieu of a direct release by EEStor) in connection with the commitment of the Company to report on the technological progress by EEStor as of this date. The statement provided preliminary findings from Mr. John Galvagni, the Company's consultant with over 40 years experience in the technology sector, with a focus on capacitors and energy storage.
- On October 23, 2012, the Company released the formal report received from its consultant Mr. Galvagni, which discusses his observations from his visits to the EEStor facility. A correction to a calculation found in the report was published on November 6, 2012.
- The development of EEStor's technology is within EEStor's sole control, and further, it is within EEStor's sole purview to publicly announce information regarding its specific progress or timelines. The Company may only comment on information directly related to EEStor's progress after EEStor makes such information public or consents to such disclosure. EEStor continues to add to its patent portfolio as it relates to its energy storage technology. Additional details about EEStor's patent activity are available in the Company's AIF dated January 24, 2013.

SELECTED FINANCIAL INFORMATION

The following table sets out selected information for the three most recently completed financials years. The years ended September 30, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards and the year ended September 30, 2010 has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

(audited)	Years ended September 30		
	IFRS		Canadian GAAP
	2012 $	2011 [1] $	2010 $
Loss from continuing operations	**(1,528,425)**	(4,114,331)	(4,141,528)
Loss from discontinued operations	**(154,532)**	(384,371)	(2,105,444)
Net loss in period	**(1,682,957)**	(4,498,702)	(6,246,972)
Loss per share	**(0.04)**	(0.12)	(0.17)
Weighted average number of shares outstanding	**38,513,705**	37,251,924	37,177,560
Total assets on hand	**13,793,713**	13,017,710	16,620,967
Cash, cash equivalents, short term investments	**1,937,592**	1,680,165	5,074,652
Working capital	**1,675,361**	1,095,105	4,580,376
Shareholders' equity	**13,374,797**	12,165,793	15,779,551

[1] In preparing its 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to the Company's 2012 audited consolidated financial statements for an explanation of the transition to IFRS.

DISCUSSION OF OPERATING RESULTS

Operating results

The following table summarizes the Company's operating results for continuing operations, segregating the loss from discontinued operations, for the three months and years ended September 30, 2012 and 2011.

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2012	2011[1]	**2012**	2011[1]
	$	$	**$**	$
Interest Income	**(7,738)**	(5,920)	**(19,535)**	(32,001)
General and administrative	**401,379**	674,419	**1,587,809**	3,315,050
Engineering and development	**(43,405)**	76,970	**(41,666)**	510,493
Marketing and business development	**-**	6,089	**1,817**	320,789
Loss from continuing operations	**350,236**	751,558	**1,528,425**	4,114,331
Loss from discontinued operations	**38,613**	92,536	**154,532**	384,371
Net loss for the period	**388,849**	844,094	**1,682,957**	4,498,702
Loss per share				
Continuing operations	**(0.01)**	(0.02)	**(0.04)**	(0.11)
Discontinued operations	**(0.00)**	0.00	**(0.00)**	(0.01)
Total	**(0.01)**	(0.02)	**(0.04)**	(0.12)

[1] In preparing its 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to the Company's 2012 audited consolidated financial statements for an explanation of the transition to IFRS.

The financial results above, which segregate the Company's continuing operations from its discontinued operations (the LSV business), indicate significant savings related to continued operations as well as the continued savings from the discontinuation of the LSV business.

Losses related to continued operations for the three months and year ended September 30, 2012 decreased by 53% and 63%, respectively, when compared to same periods in the prior year, primarily due to the reduction in headcount in connection with the restructuring of the Company, which was implemented in May 2011. As a result of the restructuring, the Company incurred severance costs in the prior period of $574,932, which were not applicable in the current period. The Company also incurred legal fees and reimbursement of a Director's expenses totalling $370,486 (see "Related Party Transactions" later in this MD&A) in the prior year that were not applicable in the current period.

In the three months and year ended September 30, 2012 the Company incurred losses directly related to the LSV business of $38,613 and $154,532, respectively, compared to $92,536 and $384,371 respectively for the corresponding periods of the prior year. The Company continues to incur costs related to continuing warranty and service obligations which are, and will continue to be, included in discontinued operations.

The following tables present an analysis of the **continuing operations** of the Company.

General and Administrative

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2012	2011[(1)]	**2012**	2011[(1)]
	$	$	**$**	$
Salaries and benefits	**92,643**	137,884	**377,657**	863,403
Stock based compensation	**234,394**	258,487	**750,830**	694,739
Insurance	**22,418**	22,433	**89,647**	89,966
Legal, audit, regulatory	**4,567**	257,907	**132,549**	874,406
Occupancy costs	**32,089**	32,657	**129,500**	130,543
Severance	**-**	41,171	**-**	344,023
Other costs	**13,142**	(81,074)	**99,817**	291,453
Amortization	**2,126**	4,954	**7,809**	26,517
Total	**401,379**	674,419	**1,587,809**	3,315,050

[1)] In preparing its 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to the Company's 2012 audited consolidated financial statements for an explanation of the transition to IFRS.

General and Administrative includes a broad range of costs including salaries and benefits, travel, and department specific costs for a number of functional areas including Executive, Finance, Investor Relations, Public Relations, and Administration. This group of expenses also includes rent, voice and data services, insurance and corporate compliance costs.

"Salaries and Benefits" costs in the three months and year ended September 30, 2012, decreased by approximately 33% and 56%, respectively, when compared to the same periods in the prior year, as a result of the reduction in head count in connection with the restructuring of the Company which was implemented in May 2011. "Stock based compensation" has increased on a year to date basis due to the granting of options to directors and senior management. Also contributing to these respective variances is the compensation package for the chief executive officer, who has been granted options in lieu of a cash compensation.

"Legal, Audit and Regulatory" costs dropped by 98% and 85%, respectively, compared to the same periods in the prior year primarily due to the Company's restructuring and refocusing of the business implemented in May 2011. Also included in the "Legal, Audit and Regulatory" year to date costs were legal fees and reimbursement of a Director's expenses totalling $370,486 (see "Related Party Transactions" later in this MD&A) that was not applicable in the current period.

Severance cost incurred in the prior year periods related to the reduction in headcount in connection with the restructuring of the Company, which was implemented in May 2011.

Other costs decreased as compared to the 2011 periods due to the reduction of voice and data costs as a result of the reduction in headcount.

Engineering and Development

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2012	2011 (1)	**2012**	2011 (1)
	$	$	**$**	$
Salaries and benefits	**-**	48,595	**(874)**	382,197
Stock based compensation	**-**	21,285	**4,142**	44,627
Service and materials	**19,852**	-	**19,852**	32,508
Severance	**-**	83,888	**-**	83,888
Other costs	**(63,257)**	(71,656)	**(64,786)**	(66,402)
Amortization	**-**	(5,142)	**-**	33,675
Total	**(43,405)**	76,970	**(41,666)**	510,493

(1) In preparing its 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to the Company's 2012 audited consolidated financial statements for an explanation of the transition to IFRS.

Engineering and Development includes all costs related to product research, engineering and development. Technical services and warranty claims costs, included in previous analyses of Engineering and Development, have been excluded from the above analysis as they are included in discontinued operations. The significant decrease in costs in the current year period is a result of the Company suspending its independent development of technologies and subsequently the reduction in headcount.

Severance cost incurred in the prior year periods related to the reduction in headcount in connection with the restructuring of the Company, which was implemented in May 2011.

In the current period, "Service and materials" includes $6,009 of consulting services costs related to the report issued regarding the current status of EEStor's technological progress. "Other Costs" in the three months and year ending September 30, 2012 were offset by the net receipt of Scientific Research and Experimental Development ("SR&ED") refunds of $63,257. In the prior year "Other Costs" were offset by the net receipt of SR&ED refunds of $73,833 and $139,043 in the three and twelve month periods, respectively.

Marketing and Business Development

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2012	2011 (1)	**2012**	2011 (1)
	$	$	**$**	$
Salaries and benefits	**-**	96	**(120)**	174,826
Stock based compensation	**-**	1,447	**-**	(18,930)
Severance	**-**	886	**-**	147,021
Other marketing related costs	**-**	3,477	**1,937**	16,942
Amortization	**-**	183	**-**	930
Total	**-**	6,089	**1,817**	320,789

(1) In preparing its 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to the Company's 2012 audited consolidated financial statements for an explanation of the transition to IFRS.

Marketing and Business Development includes costs related to the business development activities with respect to ZENNergy™ offerings, as well as brand management and development. The Company ceased expenditures on ZENNergy™ technologies in June 2011 and will evaluate future expenditures as and when developments occur at EEStor.

Severance cost incurred in the prior year periods related to the reduction in headcount in connection with the restructuring of the Company, which was implemented in May 2011.

Discontinued Operations

As of April 30, 2010, the Company closed its LSV production and sales operations. In concert with the closing, effective with the June 30, 2010 financial reporting period, the Company segregated and reported the assets, liabilities, revenue and costs related to the LSV business as discontinued operations. The discontinued assets include all accounts receivables, inventory and prepaid expenses specifically attributable to the LSV business. The liabilities include a warranty reserve as well as specific payables related to the LSV business. All of the Company's operating revenues to date are from LSV related operations and are included in this category. Also included as discontinued operations are Service department expenses related to the ongoing provision of warranty and parts services.

QUARTERLY FINANCIAL INFORMATION

The following table sets out the quarterly results for the most recently completed eight quarters. The results have been segregated to reflect continuing and discontinued operations:

Quarters Ended	Loss continuing operations $	Loss discontinued operations $	Net loss in period $	Loss per share continuing operations $	Loss per share discontinued operations $	Loss per share in period $
December 31, 2010[(1)]	(722,645)	(73,266)	(795,911)	(0.02)	0.00	(0.02)
March 31, 2011[(1)]	(1,466,404)	(67,905)	(1,534,309)	(0.04)	0.00	(0.04)
June 30, 2011[(1)]	(1,173,724)	(150,664)	(1,324,388)	(0.03)	(0.01)	(0.04)
September 30, 2011[(1)]	(751,558)	(92,536)	(844,094)	(0.02)	0.00	(0.02)
December 31, 2011	(365,790)	(37,433)	(403,223)	(0.01)	0.00	(0.01)
March 31, 2012	(347,500)	(39,664)	(387,164)	(0.01)	0.00	(0.01)
June 30, 2012	(464,899)	(38,822)	(503,721)	(0.01)	0.00	(0.01)
September 30, 2012	(350,236)	(38,613)	(388,849)	(0.01)	0.00	(0.01)

[(1)] In preparing its 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to the Company's 2012 audited consolidated financial statements for an explanation of the transition to IFRS.

The loss related to continuing operations has decreased significantly in the current year as a result of the restructuring implemented in May 2011. In the second and third quarters of the prior year, there was an increase in loss from continued operations, which was a result of severance costs related to senior management departures, increased stock based compensation expense and increased legal and professional fees comprised for the most part of the reimbursement of a Director's expenses. The losses related to discontinued operations reflect the results of the LSV business which, has declined on a year-over-year basis, as the Company exited this business segment. During the year ended September 30, 2012, the loss related to discontinued operations includes an adjustment of $89,347 to decrease the provision for warranty claims which offsets the prior year adjustment of $100,016. The years ended September 30, 2012 and 2011 include an adjustment of $83,828 and $21,316, respectively, to increase the inventory provision.

EEStor

The Company will only provide status updates with regard to EEStor's progress after EEStor itself has either made or approved the public disclosure of such information. As of the date of this MD&A, the Company has not been made aware of any issue that would prevent EEStor from completing the development of its technology. Reference should be made to the Company's AIF dated January 24, 2013 for details related to EEStor's patent activities during and since the last fiscal year. The Company does note that EEStor's ability to continue development of its technology is dependent on EEStor's ability to access sufficient capital to fund these efforts. Should EEStor fail to access such capital its ability to move its technology forward could be limited.

Liquidity and Capital Resources

In the period ended September 30, 2012 and up to the date of this MD&A, the Company continued to incur losses and is drawing on its cash resources.

The Company's financial liquidity is currently supported by cash and short-term investments. The Company is a development stage enterprise and is not cash flow positive. The Company's ongoing ability to remain liquid will depend on a number of factors including EEStor's successful commercialization of its EESU, timing and volume of sales, future profit margins, the rate of cash expenditure to fund ongoing operations, investments in non-cash working capital and the Company's ability to raise capital to fund the development of the business (see "Risks and Uncertainties" below). On April 13, 2012, the Company successfully completed a non-brokered equity private placement that resulted in net proceeds to the Company in the amount of $1,825,478. The proceeds from the offering have and will be used for working capital and general corporate purposes. The Company has paid US$500,000 to EEStor in connection with the signing of the New Technology Agreement on May 15, 2012. The Company also advanced US$200,000 to EEStor to assist with its working capital, which is to be applied against milestones in the New Technology Agreement (see Note 8 and Note 24 to the audited consolidated financial statements).

The Company's total cash and short-term investments at September 30, 2012 was $1,937,592 compared to a combined balance of $1,680,165 at September 30, 2011. Working capital as at the same two dates was $1,675,361 and $1,095,105, respectively, a decrease of $240,648 in the current quarter and an increase of $580,256 year to date.

In the three months and year ended September 30, 2012, the Company recorded a loss related to its discontinued LSV operation of $38,613 and $154,532, respectively, compared to a loss of $92,536 and $384,371 for the same periods in the prior year. Substantially all of the losses related to the LSV operation in the current year are cash losses, and reflect the ongoing provision of warranty and service support.

The Company's investment policy restricts the investment of its cash balances to term deposits and bankers' acceptances. As well, short-term investments are invested only in high quality instruments of financial institutions, providing the Company with very low levels of liquidity risk on its invested financial instruments.

The Company has no long-term debt.

Based on its current operating and financial plans, management is confident the Company has adequate cash resources on hand to fund its operations beyond fiscal 2013. The Company believes that if EEStor achieves its milestones, the Company will have substantially greater access to capital which will enable it to fund the milestone payments.

Capital Commitments

Except as noted below, the Company does not have any material commitments for capital assets as at September 30, 2012, or the date of this MD&A.

The Company has a commitment with respect to its EEStor technology rights whereby payment is contingent on EEStor achieving specific milestones. On May 15, 2012 the Company entered into a New Technology Agreement as noted on page 3 "Financial Highlights" which has improved on and increased its exclusive rights. Total payments under the New Technology Agreement are US$30.5 million (including the US$500,000 that was payable under the old agreement). Following the initial payment of US$500,000 (CDN$505,150) paid upon signing, the Company has five staged payments remaining that are tied to specific milestones

aggregating US$1.2 million. Each milestone must be independently verified and meet specific performance metrics. A payment of US$3.8 million will be payable upon delivery of production quality EESUs and a further US$5 million payable on each anniversary of such payment for five years.

However, all remaining payments under the New Technology Agreement are entirely at the sole discretion of the Company. In the event that the Company elects not to make any of the payments when due, its rights would become significantly more limited, exclusivity would return to the narrower market that was defined under the old Technology Agreement.

A redacted version of the New Technology Agreement can be found under the Company's profile on SEDAR at www.sedar.com.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off balance sheet transactions.

MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain its ability to continue as a going concern for the benefit of shareholders and other stakeholders by balancing cash conservation and prudent investment in its operations in order to further its business objectives.

Working capital management is fundamental to the broader management of capital. The Company has a defined investment policy restricting the investment of cash balances to term deposits and bankers' acceptances. Non-cash working capital is managed with defined business practices and policies intended to optimize the investment and safeguard the assets.

The Company includes equity in its definition of capital. Equity is comprised of share capital, contributed surplus, warrant capital and deficit. The Company's approach to raising equity has been to raise sufficient capital to take the Company toward a target milestone, with an objective of successive capital raises being at a higher price and therefore less dilutive for shareholders. To secure additional capital to pursue its objectives, the Company may raise additional funds through the issuance of equity. The Company's ability to continue with its incremental raise strategy is a function of many factors, including the state of the capital markets, and there is no assurance that this approach will be practical on a go forward basis.

The Company is not subject to any external capital requirements.

There have been no changes with respect to the overall capital management strategy during the year ended September 30, 2012.

RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer.

Key management personnel may also participate in the Company's stock-based compensation plans. See Note 14 to the audited consolidated financial statements for the years ended September 30, 2012 and 2011 for details.

The remunerations of key management personnel during the three months and years ended September 30, 2012 and 2011 were as follows:

	For the three months ended September 30		For the years ended September 30	
	2012	2011	**2012**	2011[1]
Wages and salaries	**$ 61,884**	$ 85,662	**$ 255,509**	$ 594,296
Statutory deductions	**1,351**	2,925	**8,204**	25,149
Stock-based compensation	**233,737**	256,982	**743,609**	686,901
	$ 296,972	$ 345,569	**$ 1,007,322**	$ 1,306,346

(1) also includes remuneration for the President and Chief Operating Officer, not applicable in current year

As at September 30, 2012 the outstanding balance payable to the Company's Board of Directors was $29,625 for Director's fees.

Related party transactions included in prior year results

During the year ended September 30, 2011, the Company incurred consulting fees of $45,000, included in general and administrative expenses, to a director and former officer of the Company, subsequent to the expiry of his employment agreement as an officer of the Company.

In addition, during the year ended September 30, 2011, the Company reimbursed the director and former officer for certain professional and advisory fees in the amount of $325,000 incurred 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, $75,000 was satisfied by the issuance of 45,150 common shares of the Company at $1.66 per share to the director and former officer (Note 13), with the remainder settled in cash.

FINANCIAL INSTRUMENTS

Fair Value

The fair value of the investment in EEStor is not reliably determinable as the common shares of EEStor, Inc. are not traded in a public market and the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The information about the market for the instrument is currently unknown as the technology is in the developmental stages. As of the date of the financial statements the Company does not intend to dispose of the financial instrument.

Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. The Company's exposure to interest rate risk is negligible.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is negligible.

Credit Risk

Credit risk arises from the possibility that the entities to which the Company sells products may experience financial difficulties and be unable to fulfill their contractual obligations. Since the Company no longer sells its LSV products, its sales credit risk is negligible.

Credit risk can also arise from the inability of the institutions in which the Company invests its cash and short term investments to return the funds to the Company when due. As described in the "Management of Capital" section above, the Company's investment policy restricts the investment of its cash balances to term deposits and bankers' acceptances. As well, short-term investments are invested only in high quality instruments of financial institutions, providing the Company with very low levels of liquidity risk on its invested financial instruments. As such, the Company believes it is exposed to a very low level of credit risk on its investments.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The audited consolidated financial statements of the Company include the statements of the Company and its wholly-owned subsidiaries ZENN Motor Company Limited, ZENN Capital Inc., ZENNergy Inc., and ZMC America, Inc.

The Company's audited consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management has made certain estimates and assumptions that affect the reported amount of assets and liabilities. Significant areas requiring the use of management estimates relate to the determination of the useful lives of property and equipment for amortization purposes, inventory impairment, amounts recorded as accrued liabilities, valuation of stock options, impairment assessment of the New Technology Agreement and the investment in EEStor, valuation allowance on future tax assets and the fair value of financial instruments.

Management of the Company conducts a review of the carrying value of its New Technology Agreement on a regular basis. Management of the Company would be obliged to revalue the carrying value of the New Technology Agreement if it was in possession of information that indicated or if it believed that the technology under development by EEStor would not or could not be developed, or if EEStor were abandoning its development efforts for any reason. A similar assessment is applied to the carrying value of the Company's investment in the share capital of EEStor. Since EEStor is a private company with no ready market for its shares, the investment is carried at cost and changes in value are not reflected in comprehensive income.

Inventory included in discontinued operations is valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis for production and service stock and a combination of direct costs for materials with an allocation of labour and overhead at standard cost for work in progress and finished goods.

Amortization of investments in property and equipment is calculated at various rates intended to reflect the useful life of the asset.

The fair value of stock-based compensation and payments are calculated using the Black Scholes option pricing model. For stock-based payments that vest on a calendar or periodic basis, such as director or management options, the Company accrues the fair value cost during the vesting period. The Company charges the fair value of all other stock-based payments at the time of vesting. Forfeiture estimates are recognized in the period they are estimated and revised for actual forfeitures in subsequent periods.

For options granted during the three months and years ended September 30, 2012 and 2011, the following inputs were used in the Black Scholes options pricing model:

Black-Scholes assumptions used:	**2012**
Expected volatility	96.0%
Expected dividend yield	0.0%
Risk free interest rate	1.19%
Expected options life in years	3
Fair value per stock option granted on February 1, 2012	$ 0.38
Fair value per stock option granted on March 31, 2012	$ 0.52
Fair value per stock option granted on April 18, 2012[1]	$ 0.69
Black-Scholes assumptions used:	**2011**
Expected volatility	86.0%
Expected dividend yield	0.0%
Risk free interest rate	1.55%
Expected options life in years	3
Fair value per stock option granted on October 6, 2010	$ 0.91
Fair value per stock option granted on January 31, 2011	$ 0.76
Fair value per stock option granted on March 22, 2011	$ 1.14
Fair value per stock option granted on May 16, 2011	$ 0.77
Fair value per stock option granted on September 1, 2011	$ 0.38
Fair value per stock option granted on September 12, 2011	$ 0.42
Fair value per stock option granted on September 12, 2011[2]	$ 0.23

(1) The expected life of the options granted on April 18, 2012 is two years.

(2) Vesting was conditional upon a public announcement from EEStor showing significant progress in its technology development, which has occurred. The options expire two years from set vesting date of September 12, 2012.

The following table summarizes stock options granted during the twelve months ended September 30, 2012:

Date Granted	Number Granted	Exercise Price	Expiry Date
February 1, 2012	15,000	$ 0.66	February 1, 2017
March 31, 2012[1]	15,000	$ 0.89	March 31, 2017
April 18, 2012[1]	725,000	$ 1.35	April 18, 2017
Total Granted	755,000		

(1) Options granted to Board of Directors and Senior Management

NEW ACCOUNTING PRONOUNCEMENTS

Transition to International Financial Reporting Standards

In January 2009, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") would replace Canadian Generally Accepted Accounting Principles ("Canadian GAAP") for profit-oriented Canadian publicly accountable enterprises. The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. Historical results and balances have been restated under IFRS.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The consolidated statements of income are presented using the functional classification. The Company's financial year end is September 30. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The Company has provided a detailed explanation of the impacts of this transition in Note 18 of the Company's 2012 audited consolidated financial statements ("Note 18"). Note 18 includes reconciliations of the Company's balance sheet and shareholders' equity from Canadian GAAP to IFRS as at October 1, 2010 and September 30, 2011, and its fiscal 2011 net comprehensive losses for the year ended September 30, 2011. Explanations of the individual impacts of adopting IFRS identified in the reconciliations are also provided, as are the Company's elections under IFRS 1 "First-time Adoption of International Financial Reporting Standards".

(a) Elections under IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1")

IFRS 1 sets out the requirements that the Company must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Company is required to establish its IFRS accounting policies for the year ended September 30, 2012, and apply these retroactively to determine the IFRS opening consolidated statement of financial position at the date of transition of October 1, 2010. To assist companies in the transition process, the standard permits a number of specific exemptions from the general principle of retrospective statement. The Company has identified the following possible exemptions applicable to the Company and its decision regarding the election of the exemption:

i) Business Combinations

IFRS 1 permits a first-time adopter to elect not to apply IFRS 3, "Business Combinations" ("IFRS 3"), to business combinations that occurred prior to the date of transition to IFRS. A first-time adopter can also elect to choose a date prior to the date of transition and apply IFRS 3 to all subsequent business combinations. The Company has elected to not apply IFRS 3 retrospectively to business combinations that occurred on or before October 1, 2010 (or "the date of transition to IFRS").

ii) Share-based Payment Transactions

IFRS 1 does not require first-time adopters to apply the requirements of IFRS 2, "Share-based Payment" ("IFRS 2"), to equity instruments that were granted on or prior to November 7, 2002 or to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS. The Company has not applied IFRS 2 to stock options issued on or prior to November 7, 2002 or granted after November 7, 2002 and vested before the transition date to IFRS.

iii) Extinguishing financial liabilities with equity instruments

IFRS 1 allows, but does not require, first-time adopters to apply IFC 19 Extinguishing financial liabilities with equity instruments that occurred before the date of transition of IFRS. The Company has taken advantage of this election and has not applied IFRIC 19 to extinguishments of financial liabilities with equity instruments that occurred before October 1, 2010.

iv) Estimates – Mandatory Exemption

The estimates used under IFRS are consistent with those made, for the same dates, in accordance with previous GAAP, except where they were impacted by a difference in accounting policy.

A reconciliation of the impact of the transition from Canadian GAAP to IFRS related to the financial position and the financial performance is set out in Note 18 of the audited consolidated financial statement and discussed below:

(b) IFRS 2, Stock-based compensation ("IFRS 2")

As described in Notes 14 and 15, the Company has granted stock-based compensation to directors, officers and employees. The Company applied IFRS 2 to its unsettled stock-based compensation arrangements at October 1, 2010 which requires that stock-based compensation be measured based at the fair value at the time of the grant for each vesting instalment, over the vesting period of the options. Forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods.

The Company previously accounted for these stock-based compensation arrangements as one grant and expensed over the vesting period under previous Canadian GAAP. The contributed surplus has been adjusted to reflect the change in method for the outstanding stock-based compensation to be consistent with the Company's accounting policies, with the difference recorded in retained earnings at transition.

(c) Expense classification

IFRS 1 requires the Company to present an analysis of expenses recognized in the profit or loss using a classification based on either the nature or the function within the Company. The Company has elected to present the consolidated condensed statement of comprehensive loss using the function classification for expense. A reclassification of the depreciation and amortization and foreign exchange expense previously presented is required. In selecting the function classification the Company is required to provide further details such as employee benefits and property and amortization expense included in the function.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

As at the date of the MD&A,

the Company has determined that a number of matters for accounting and disclosure under the standards established by the the "IASB" may be applicable to the Company's operations. Accordingly the following pronouncements may impact the Company's accounting and disclosure of its activities:

IFRS 7, Financial Instruments: Disclosures:

In October 2010, the International Accounting Standards Board (the "IASB") issued an amendment to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), requiring incremental disclosures regarding transfers of financial assets. IFRS 7 is effective for annual periods beginning on or after July 1, 2011 and can be applied prospectively. The Company will apply the amendment at the beginning of its 2013 financial year and does not expect the implementation to have a significant impact on the Company's disclosures.

IFRS 10, Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" ("ÌFRS10"). IFRS 10 replaces the portion of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, "Consolidation — Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Therefore, IFRS 10 may change which entities are within a group. The standard is not applicable until annual periods beginning on or after January 1, 2013, but is available for early adoption. The Company is assessing the impact of this new standard.

IFRS 12, Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of this new standard.

IFRS 13, Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods of inputs used to develop fair value measurements. The new standard is effective for the annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is assessing the impact of this new standard.

IAS 27, Separate Financial Statements:

In May 2011, the IASB amended IAS 27, "Separate Financial Statements" ("IAS 27"). This amendment removes the requirement for consolidated statements from IAS 27 and moves it over to IFRS 10, "Consolidated Financial Statements". The amendment mandates that when a company prepares separate financial statements, investment in subsidiaries, associates, and joint controlled entities are to be accounted for using either the cost method or in accordance with IFRS 9, "Financial Instruments". In addition, this amendment determines the treatment for recognizing dividends, the treatment of certain group organizations, and some disclosure requirements. The amended standard is effective for the annual periods beginning on or after January 1, 2013. The Company is assessing the impact of this amended standard.

IFRS 9, Financial Instruments:

In October 2010, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"). IFRS 9, which replaces IAS 39, "Financial Instruments: Recognition and Measurement", establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of this new standard on its consolidated financial statements.

RISKS AND UNCERTAINTIES

An investment in the Company should be considered highly speculative due to the nature of the Company's activities and that it is a development stage company. These risk factors and uncertainties could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements contained herein relating to the Company.

This section should be read in conjunction with and is qualified by the "Risk Factors" section of the Company's AIF dated January 24, 2013 available on SEDAR at www.sedar.com, which is hereby incorporated by reference herein. Some of these risks, presented in greater detail in the AIF, include the following:

- Dependence on the successful development, commercialization and integration of the EEStor technology and potential impact on the Company if this does not occur at all or in a timely manner, or if the commercial EESU does not possess the anticipated functionality and benefits,
- Early stage of development, history of losses,
- EEStor equity investment,
- Additional financing requirements.

Additional Disclosure for Venture Issuers Without Significant Revenue

As of September 30, 2012 the Company had no deferred costs related to development or start up. Additional required disclosure for venture issuers without significant revenue is included in the section "Discussion of Operating Results" above.

Outstanding Shares

The following table outlines all outstanding voting or equity securities of the Company and all other securities of the Company which are convertible into, or exercisable or exchangeable for, voting or equity securities as of January 24, 2013:

	Number
Common shares outstanding	39,907,913
Issuable under options	2,634,200
Issuable under warrants	2,514,500
Total diluted commons shares	**45,056,613**

Features of the options are described in Note 14 to the audited consolidated financial statements for the years ended September 30, 2012 and 2011.

Subsequent Events

EEStor Advance

A second installment of US$100,000 (CDN$99,508) was advanced to EEStor on October 2, 2012, as per the advance agreement with EEStor referenced in Note 8 to the audited consolidated financial statements of the Company for the years ended September 30, 2012 and 2011.

Also in relation to the advance agreement, the Company is entitled to deduct two dollars for every dollar advanced from certain milestone amounts payable under the New Technology Agreement.

Stock Options

On October 26, 2012, as part of an annual review the Company granted Ms. Vandesluis, Chief Financial Officer 60,000 options. Each option is exercisable to acquire one common share at a price of $0.73. The options vest as to one-third on each of the six, eighteen and twenty-four month anniversaries following the date of grant and will expire five years from the date of grant.

Additional Information

Additional information relating to the Company, including the Company's AIF dated January 24, 2013, can be found on SEDAR at www.sedar.com and at the Company's website at www.zenncars.com.