This "Management's Discussion and Analysis" ("MD&A") has been prepared as of March 26, 2012, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of ZENN Motor Company Inc. (the "Company" or "ZMC") for the three months ended December 31, 2011 and the Company's Annual Information Form ("AIF") dated January 27, 2012. The Company's unaudited condensed interim financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. (See "Transition to International Financial Reporting Standards" under "New Accounting Pronouncements" in this Management's Discussion and Analysis.) These financial statements do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended September 30, 2011, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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 27, 2012. 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. continues to operate on the principle and belief that zero emission electric vehicles ("EV") will be the automobiles 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 automotive transportation. The media coverage directly addressing these issues over the past several years and the significant climb in the price of crude oil and gasoline, reinforces that the timing could not be better for zero-emission, cost effective electric vehicles to be offered to consumers around the world. To further reinforce this shift towards socially responsible transportation, major automotive original equipment manufacturers ("OEMs") continue to accelerate the promotion of their current and future pure electric and hybrid electric vehicle programs.

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 27, 2012 in the section entitled "EEStor 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 automotive 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, the Company has 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 three months ended December 31, 2011 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 has held the position on an interim basis since September 1, 2011.

Financial Highlights

- In the three months ended December 31, 2011, the Company incurred net loss of $403,223, compared with $795,911 in the corresponding period of the prior year. On a per share basis, for the three months ended December 31, 2011, the Company incurred net losses of $0.01 compared with $0.02 in the corresponding period of the prior year.
- The Company incurred losses from continuing operations of $365,790 in the three months ended December 31, 2011, compared to $722,645 in the corresponding period of the prior year. On a per share basis, the Company's losses from continuing operations were $0.01, compared to $0.02 in the prior year.
- In the three months ended December 31, 2011, the Company incurred losses from discontinued operations of $37,433, compared to $73,266 in the corresponding period of the prior year. On a per share basis, the Company's losses from discontinued operations for the three months ended December 31, 2011, was $0.00, compared to $0.00 in the prior year.
- During the three months ended December 31, 2011, the Company used $382,340 of cash in its continuing operations, as compared to $410,991 in the same period of the prior year.

Other

- 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. Although EEStor did not make any formal public announcements during the month ended December 31, 2011, it 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 27, 2012.

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 ended December 31, 2011 and 2010.

	Three Months Ended December 31 (unaudited)	
	2012	2011[1]
	$	$
Interest Income	**(3,698)**	(11,086)
General and administrative	**365,873**	560,033
Engineering and development	**3,330**	87,727
Marketing and business development	**285**	85,971
Loss from continuing operations	**365,790**	722,645
Loss from discontinued operations	**37,433**	73,266
Net loss for the period	**403,223**	795,911
Loss per share		
Continuing operations	**(0.01)**	(0.02)
Discontinued operations	**(0.00)**	(0.00)
Total	**(0.01)**	(0.02)

[1] In preparing its 2010 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). (See Note 18 to the accompanying unaudited condensed interim consolidated financial statements of the Company.)

The financial results above, which segregate the Company's continuing operations from its discontinued operations (the LSV business), indicate the continued savings from the discontinuation of the LSV business. In the three months ended December 31, 2011 the Company incurred losses directly related to the LSV business of $37,433 compared to $73,266 for the corresponding period 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 December 31 (unaudited)	
	2012	2011[1]
	$	$
Salaries and benefits	**88,983**	278,135
Stock based compensation	**153,931**	86,194
Insurance	**22,411**	22,641
Legal, Audit, Regulatory	**41,382**	80,914
Occupancy costs	**32,656**	32,600
Foreign Exchange	**115**	30
Amortization	**2,578**	8,661
Other costs	**23,817**	50,858
Total	**365,873**	560,033

[1] In preparing its 2010 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. (See Note 18 to the accompanying unaudited condensed interim consolidated financial statements of the Company.)

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 ended December 31, 2011, decreased by approximately 68% when compared to the same period 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 increased in the current quarter due to options granted to directors, officers and employees in the prior year periods.

Legal, Audit and Regulatory costs decreased in the current quarter as a result of the Company's restructuring and refocusing of the business implemented in May 2011. Other costs decreased as compared to the 2011 period 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 December 31 (unaudited)	
	2012	2011
	$	$
Salaries and benefits	**(874)**	104,096
Stock based compensation	**4,142**	7,061
Service and materials	**-**	1,275
Rent	**-**	8,155
Amortization	**-**	13,098
Other costs	**62**	(45,958)
Total	**3,330**	87,727

(1) In preparing its 2010 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. (See Note 18 to the accompanying unaudited condensed interim consolidated financial statements of the Company.)

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 now part of 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.

The prior quarter other costs were offset by the net receipt of SR&ED refunds of $65,160.

Marketing and Business Development

	For the three months ended December 31 (unaudited)	
	2012	2011[(1)]
	$	$
Salaries and benefits	**-**	62,557
Stock based compensation	**-**	17,622
Amortization	**-**	249
Other marketing related costs	**285**	5,543
Total	**285**	85,971

(1) In preparing its 2010 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. (See Note 18 to the accompanying unaudited condensed interim consolidated financial statements of the Company.)

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™ technology in June 2011 and will evaluate future expenditures as and when developments occur at EEStor.

Discontinued Operations

As of April 30, 2010 the Company closed its LSV production and sales operation. 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 reclassified 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 $
March 31, 2010[(2)]	(1,027,639)	(987,200)	(2,014,839)	(0.03)	(0.02)	(0.05)
June 30, 2010[(2)]	(1,060,614)	(215,902)	(1,276,516)	(0.03)	(0.01)	(0.04)
September 30, 2010[(2)]	(980,423)	(128,805)	(1,109,228)	(0.03)	0.00	(0.03)
December 31, 2010[(1)]	(722,645)	(73,266)	(795,911)	(0.02)	0.00	(0.02)
March 31, 2011[(1)]	(1,466,403)	(67,907)	(1,534,310)	(0.04)	0.00	(0.04)
June 30, 2011[(1)]	(1,173,724)	(150,664)	(1,324,388)	(0.04)	(0.01)	(0.05)
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)

(1) In preparing its 2010 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. (See Note 18 to the accompanying unaudited condensed interim consolidated financial statements of the Company.)

(2) Information is presented in accordance with Canadian GAAP and was not required to be restated to IFRS for the current period.

During the three months ended September 30, 2010, the Company finalized its discontinued operations disclosure which resulted in a reallocation in the loss from continuing to discontinued operations in the amount of $75,059 for the nine months ended June 30, 2010. This resulted in changes to the figures previously reported.

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, 2011, the loss related to discontinued operations includes an adjustment of $100,016 added to the provision for warranty claims. During the year ended September 30, 2010 the Company realized a write-up of inventory of $206,788. The year ended September 30, 2011 includes an adjustment to increase the inventory provision of $21,316. The loss related to continuing operations has decreased significantly in the current quarter as a result of the restructuring implemented in May 2011. The cost reductions were offset by an increase in the stock based compensation expense.

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 27, 2012 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 year ended December 31, 2011 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"). The Company is exploring alternatives to enhance the strength of its balance sheet.

The Company's total cash and short-term investments at December 31, 2011 was $1,264,279 compared to a combined balance of $1,680,165 at September 30, 2011. Working capital as at the same two dates was $862,494 and $1,095,105, respectively, a reduction of $232,611 in the current quarter.

In the three months ended December 31, 2011, the Company recorded a loss related to its discontinued LSV operation of $37,433, compared to a loss of $73,266 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 to at least the end of fiscal 2012.

CAPITAL COMMITMENTS

Except as noted below, the Company does not have any material commitments for capital assets as at December 31, 2011, 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. As at December 31, 2011 and the date of this MD&A, there remains one milestone payment due to EEStor in the amount of US$500,000 which is due within 15 days of independent verification of a production quality EESU meeting defined specifications. The timing of the final payment in accordance with the EEStor Technology Agreement is dependent on EEStor's development and independent verification and accordingly, is not within the control of the Company.

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. The Company must manage the balance between 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 capital stock, contributed surplus and deficit. The Company's approach to raising equity has been to raise sufficient capital to take the Company toward the next target milestone, with an objective of being less dilutive for shareholders. To secure additional capital to pursue its objectives, the Company may raise additional funds through the issuance of equity. There can be no assurance that such capital will be available to the Company when required or on acceptable terms.

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 period ended December 31, 2011.

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 13 to the Company's 2011 annual financial statements reported under Canadian GAAP and Note 14 above.

The remuneration of key management personnel during the three months ended was as follows:

	December 31, 2011	December 31, 2010 [1]
Wages and Salaries	58,894	205,264
Statutory Deductions	2,066	8,170
Stock-based compensation	148,607	85,435
	209,567	298,869

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

As at December 31, 2011 the outstanding balance payable to the Company's Board of Directors was $25,625.

FINANCIAL INSTRUMENTS

Fair Value

The fair value of the investment in EEStor is not readily determinable as the common shares of EEStor, Inc. are not traded in a public market.

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 believes its 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, 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 unaudited condensed interim 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 unaudited condensed interim 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 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 Technology Agreement with EEStor on a regular basis. Management of the Company would be obliged to revalue the carrying value of the 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.

There were no stock options granted during the three months ended December 31, 2011.

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") will 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the financial year ending September 30, 2012.

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) 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 unaudited condensed interim 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

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 new standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements

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

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31, Investment in Joint Ventures and IAS 28, Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. 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 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("IFRS 13"). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. The Company is assessing the impact of this new standard.

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 27, 2012 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 December 31, 2011 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 March 26, 2012:

	Number
Common shares outstanding	37,332,913
Issuable under options	3,013,566
Total diluted commons shares	40,346,479

Features of the options are described in Note 14 to the unaudited condensed interim consolidated financial statements for the period ended December 31, 2011.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's AIF dated January 27, 2012, can be found on SEDAR at www.sedar.com and at the Company's website at www.zenncars.com.