This "Management's Discussion and Analysis" ("MD&A") has been prepared as of January 27, 2014, and should be read in conjunction with the audited consolidated financial statements of ZENN Motor Company Inc. (the "Company", "ZENN" or "ZMC") for the years ended September 30, 2013 and 2012, and the Company's most recently filed Annual Information Form ("AIF"). 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. 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 most recently filed AIF. 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.

The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Forward-looking statements	Assumptions	Risk factors
Cash resources on hand to fund the operations through the 2014 fiscal year.	The Company's quarterly cash burn rate is estimated at an average of approximately $290,000 per quarter.	Unforeseen expenses may arise for the Company during this period and may affect the length of time estimated.
The Company does not anticipate any additional expenses related to Discontinued Operations following the end of the current fiscal year.	All anticipated costs related to the closure have been provided for as of September 30, 2013. The Company's quarterly cash burn rate following the formal closure of the discontinued operations is expected to decrease.	Not all expenses may be anticipated and provided for as of September 30, 2013.

Forward-looking statements	Assumptions	Risk factors
Management believes that the EEStor 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.	The EEStor energy storage technology will be successfully commercially developed and will possess the performance attributes anticipated.	The EEStor energy storage technology may not be successfully commercialized for financial, technical or other reasons, or in a manner providing the features and benefits expected by EEStor or on a timely basis. The technology, even if successfully developed, may not gain market acceptance, or may face competition from other products providing superior features or offered at more competitive pricing. Also see "Risk Factors" section of the Company's most recently filed AIF.

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

The Company 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. In addition, 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 recent emergence of independent car companies focused on pure electric vehicles has brought new attention to the space.

The Company holds certain technology rights, upon payment of predetermined amounts, to an energy storage technology currently under development by EEStor. The energy storage technology is explained in the Company's most recently filed AIF, 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.

As of the date of the MD&A, the Company also holds an approximate 68.4% equity and voting interest in EEStor. The increase comes as a result of the recent acquisition of Series A Preferred Shares ("Pref Shares") from existing EEStor shareholders, representing approximately 30% of all outstanding equity and voting shares in EEStor (see "Subsequent Event – Series A Preferred Share Acquisition" and "Acquisition of Controlling Interest in EEStor"). The Pref Shares hold certain rights, including voting rights on an as-converted basis, protection in the event of liquidation and are convertible into shares of common stock of EEStor. The acquisition of the Pref Shares and controlling interest in EEStor aligns the business of both companies and positions the Company to benefit from other revenue streams that might be available to EEStor including applications that may not involve energy storage.

HIGHLIGHTS AND SUMMARY

The following summarizes the key events in the development of the Company during the year ended September 30, 2013, and up to the date of this MD&A:

Board and Management

- On January 31, 2013, the Company announced the appointment of Roger Hammock, in addition to his role as a Director of the Company, as Executive Vice-President, EEStor Relations.
- On January 31, 2013, the Company granted an aggregate of 600,000 stock options to Directors and Officers. These options vest over a two year period and each option granted entitles the holder to acquire one common share at a price of $1.13 and expires five years from the grant date.
- On January 13, 2014, the Company granted an aggregate of 820,000 stock options to Directors and Officers. These options vest over a two year period and each option granted entitles the holder to acquire one common share at a price of $0.85 and expires five years from the grant date.

Financial Highlights

- In the three months and year ended September 30, 2013, the Company incurred net losses of $331,678 and $1,615,077, respectively, compared with $388,849 and $1,682,957, in the corresponding periods of the prior year. On a per share basis, for the three months and year ended September 30, 2013, the Company incurred net losses of $0.01 and $0.04, respectively, which are the same as the corresponding periods of the prior year.
- The Company incurred losses from continuing operations of $455,489 and $1,625,542, respectively, in the three months and year ended September 30, 2013, compared with $350,236 and $1,528,425, 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, which are the same as the corresponding periods of the prior year.
- In the three months and year ended September 30, 2013, the Company incurred income from discontinued operations of $123,811 and $10,465, respectively, compared to losses of $38,613 and $154,532, in the corresponding periods of the prior year. On a per share basis, the Company's loss from discontinued operations year to date is $0.00, which is the same as the corresponding period of the prior year.
- During the three months and year ended September 30, 2013, the Company used $200,114 and $914,023, respectively, of cash in its continuing operations, as compared to $105,493 and $1,078,599, in the same periods of the prior year.

Other

- On April 24, 2013, the Company entered into an agreement with EEStor providing for the testing of layers of its EESU by an independent testing laboratory. An initial investment of US$50,000(CDN$52,006) was made upon signing of the agreement.
- On June 30, 2013, the Company closed its service operations and ceased to provide parts and service support previously offered for ZENN Low Speed Vehicles ("LSVs").
- The Company's head office was downsized and relocated to 21 St. Clair Avenue, East, Suite 301, Toronto, Ontario, effective July 27, 2013. As a result of the closure of the Service department and downsizing of office space, some capital assets were either sold or disposed of.
- On August 7, 2013, the Company entered into an agreement to purchase 502,344 Series A Preferred Shares of EEStor and certain associated rights from various holders.
- On October 16, 2013, EEStor announced third party test results relating to testing completed at the EEStor facilities.
- On October 17, 2013, ZENN announced that it was unable in independent testing of EEStor layers to obtain results similar to those announced by EEStor.
- On October 18, 2013, the Company announced a jointly hosted analyst and investor visit at the EEStor facilities.
- On October 29, 2013, the Company and EEStor jointly announced that Evans Capacitor Company of East Providence, Rhode Island had been retained to assist with developing testing protocols and conduct independent testing.
- In October 2013, the Company announced an extension of the expiry date of outstanding share purchase warrants to October 31, 2013, and subsequently to December 10, 2013 (see "Subsequent Events – Warrant Expiry Date Extension").
- 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 resulting in gross proceeds of $3,704,000 (see "Subsequent Events – Non-brokered Private Placement").
- On December 10, 2013, the Company announced that the testing conducted by Evans Capacitor Company was unable to replicate the testing results reported by EEStor in third party testing.
- On December 20, 2013, the Company completed the acquisition of the Series A Preferred Shares of EEStor, Inc., as a result the Company's ownership increased to approximately 41% equity and voting interest in EEStor (see "Subsequent Events – Series A Preferred Shares Acquisition"). The purchase price was US$1.5 million in cash and 3,756,785 common shares of ZENN (see "Subsequent Events – Series A Preferred Shares Acquisition").
- On December 23, 2013, the Company announced it had entered into an agreement to acquire a controlling interest in EEStor. The transaction was completed on January 23, 2014 and in consideration for an aggregate investment of US$1.0 million, ZENN received a number of Series A1 Preferred Shares of EEStor that provided it with 51% of the outstanding equity and voting shares of EEStor on an as-converted and fully-diluted basis. In addition, 360,000 additional common shares of EEStor were acquired from existing EEStor shareholders in exchange for 5,400,000 ZENN common shares providing ZENN with an approximate 68.4% equity and voting interest in EEStor on an as-converted basis (see Subsequent Events – Acquisition of Controlling Interest in EEStor).

EEStor continues to work on its patent portfolio as it relates to its energy storage technology. Additional details about EEStor's patent activity are available in the Company's most recently filed AIF.

SELECTED FINANCIAL INFORMATION

The following table sets out selected information for the three most recently completed financials years and have been prepared in accordance with International Financial Reporting Standards.

(audited)	Years ended September 30		
	2013 **$**	2012 $	2011[1] $
Loss from continuing operations	**(1,625,542)**	(1,528,425)	(4,114,331)
Income/(Loss) from discontinued operations	**10,465**	(154,532)	(384,371)
Net loss in period	**(1,615,077)**	(1,682,957)	(4,498,702)
Loss per share	**(0.04)**	(0.04)	(0.12)
Weighted average number of shares outstanding	**39,911,653**	38,513,705	37,251,924
Total assets on hand	**12,768,835**	13,793,713	13,017,710
Cash, cash equivalents, short term investments	**715,869**	1,937,592	1,680,165
Working capital	**461,292**	1,675,361	1,095,105
Shareholders' equity	**12,340,019**	13,374,797	12,165,793

[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 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, 2013 and 2012.

	Three Months Ended September 30 (unaudited)		Years Ended September 30 (audited)	
	2013	2012	**2013**	2012
	$	$	**$**	$
Interest (Income)	**(2,111)**	(7,738)	**(15,059)**	(19,535)
General and administrative	**387,508**	412,972	**1,518,169**	1,587,809
Engineering and development	**30,492**	(54,998)	**30,655**	(41,666)
Marketing and business development	**39,600**	-	**91,777**	1,817
Loss from continuing operations	**455,489**	350,236	**1,625,542**	1,528,425
(Income)/Loss from discontinued operations	**(123,811)**	38,613	**(10,465)**	154,532
Net loss for the period	**331,678**	388,849	**1,615,077**	1,682,957
Loss per share				
Continuing operations	**(0.01)**	(0.01)	**(0.04)**	(0.04)
Discontinued operations	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Total	**(0.01)**	(0.01)	**(0.04)**	(0.04)

The financial results in the previous table segregate the Company's continuing operations from its discontinued operations (the LSV business). The costs for both segments of the business reflect the expenses incurred for the current and comparable periods.

In the three months and year ended September 30, 2013, the Company incurred income directly related to the LSV business of $123,811 and $10,465 which includes a warranty adjustment of $166,875 offset by ($25,731) severance cost, compared to the losses of $38,613 and $154,532, for the corresponding periods of the prior year. As of June 30, 2013, the Company ceased providing its service support and does not expect to incur any further costs related to discontinued operations following the completion of the current fiscal year.

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)	
	2013	2012	**2013**	2012
	$	$	**$**	$
Salaries and benefits	**165,859**	92,643	**571,400**	377,657
Severance	**10,168**	-	**10,168**	-
Stock based compensation	**119,460**	234,394	**520,783**	750,830
Insurance	**24,013**	22,418	**93,370**	89,647
Legal, Audit, Regulatory	**24,113**	4,567	**131,395**	132,549
Occupancy costs	**11,398**	32,089	**107,067**	129,500
Other costs	**32,497**	24,735	**82,423**	99,817
Amortization	**-**	2,126	**1,563**	7,809
Total	**387,508**	412,972	**1,518,169**	1,587,809

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

"Salaries and benefits" costs increased in the current periods, primarily due to a bonus paid to the interim chief executive officer and a greater number of meetings of the Board compared to the same periods in the prior year. "Stock based compensation" decreased in the current periods due to a lower value of stock options vesting, than in the same periods of the prior year.

"Occupancy costs" decreased in the current periods due to the downsizing and relocation of the Company's head office at the end of July 2013. "Other costs" increased in the current period when compared to the same periods in the prior year, due to the one-time cost related to the head office relocation of $15,242.

Engineering and Development

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2013	2012	**2013**	2012
	$	$	**$**	$
Salaries and benefits	**-**	-	**-**	(874)
Stock based compensation	**-**	-	**-**	4,142
Service and materials	**30,271**	8,259	**30,434**	19,852
Rent	**-**	-	**-**	(1,591)
Other costs	**221**	(63,257)	**221**	(63,195)
Total	**30,492**	(54,998)	**30,655**	(41,666)

Engineering and Development includes all costs related to product research, engineering and development. Technical services and warranty claims costs which were included in previous summaries of Engineering and Development, have been excluded from the above analysis as they are deemed to be part of summaries of discontinued operations.

In the current period, "Service and materials" increased as a result of the purchase of sample layers from EEStor. "Other costs" in the three months and year ending September 30, 2013 were offset by the net receipt of a Scientific Research and Experimental Development ("SR&ED") refund of $15,464. In the prior year "Other costs" were offset by the net receipt of a SR&ED refund of $63,257.

Business Development

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2013	2012	**2013**	2012
	$	$	**$**	$
Salaries and benefits	**22,916**	-	**33,333**	(120)
Stock based compensation	**12,523**	-	**45,318**	-
Other marketing related costs	**4,161**	-	**13,126**	1,937
Total	**39,600**	-	**91,777**	1,817

Business Development includes costs related to the business development activities with respect to EEStor, in the current and year to date periods. "Salaries and benefits" and "Stock based compensation" costs increased as a result of the created position of Executive Vice-President, EEStor Relations in January 2013.

Discontinued Operations

As of April 30, 2010, the Company closed its LSV production and sales operation. In concert with the closing, commencing 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 included all accounts receivables, inventory and prepaid expenses specifically attributable to the LSV business. The liabilities included a warranty reserve as well as specific payables related to the LSV business. All of the Company's operating revenues historically were from LSV related operations and are included in this category. Also included as discontinued operations are Service department expenses related to the provision of warranty and parts services. As of June 30, 2013, the Company closed its Service department, and all expenses anticipated relating to the discontinued operations have been provided for in the recently completed fiscal year.

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 $	Gain/(Loss) discontinued operations $	Net loss in period $	Loss per share continuing operations $	Loss per share discontinued operations $	Loss per share in period $
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)
December 31, 2012	(320,317)	(40,649)	(360,966)	(0.01)	0.00	(0.01)
March 31, 2013	(448,981)	(35,311)	(484,292)	(0.01)	0.00	(0.01)
June 30, 2013	(400,755)	(37,386)	(438,141)	(0.01)	0.00	(0.01)
September 30, 2013	(455,489)	123,811	(331,678)	(0.01)	0.00	(0.01)

For the quarter ending March 31, 2013, the loss related to continuing operations increased when compared to the comparable period of the prior year, due to costs related to the newly created position of Executive Vice President, EEStor Relations and a bonus payment to the Company's interim chief executive officer, related to the prior fiscal year which had not been provided for.

The losses related to discontinued operations (which reflect the results of the LSV business) in the current period include a warranty adjustment of $166,875, offset by severance cost related to the closure of the service support of ($25,731). The Company has provided for all anticipated expenses at the end of the current fiscal year and does not expect to incur any further costs associated with the discontinued operations following the completion of the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

In the period ended September 30, 2013, 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 November 14, 2013, the Company successfully completed a non-brokered private placement that resulted in gross proceeds for the Company of $3,704,000. The net proceeds from the offering were used to satisfy the US$1.5 million cash portion of the purchase price of the Series A Preferred Stock of EEStor and associated rights and the US$1.0 million cash portion of the purchase price for the acquisition of control of EEStor, with the balance for working capital and general corporate purposes.

The Company's total cash and short-term investments at September 30, 2013, was $715,869 compared to a combined balance of $1,937,592 at September 30, 2012. Working capital as at the same two dates was $461,292 and $1,675,361, a decrease of $197,465 in the current quarter and $1,214,069 year to date.

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 and exclusive of any milestone payments that may become payable to EEStor as described below under "Capital Commitments", management is confident the Company has adequate cash resources on hand to fund its operations through fiscal 2014. The Company believes that if EEStor achieves its milestones discussed below and milestone payments become payable to EEStor, the Company will have substantially greater access to capital which will enable it to fund these milestone payments.

CAPITAL COMMITMENTS

Except as noted below, the Company does not have any material commitments for capital assets as at September 30, 2013, 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 which has improved on and increased its exclusive rights. Total payments under the New Technology Agreement are US$30.5 million (including 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.

A redacted version of the New Technology Agreement can be found 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 minimizing dilution 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 raise equity capital is a function of many factors, including the state of the capital markets, and there is no assurance that 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 year ended September 30, 2013.

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 Interim Chief Executive Officer, the Chief Financial Officer and the Executive Vice President, EEStor Relations.

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, 2013 and 2012 for details.

The remuneration of key management personnel during the three months and years ended September 30, 2013 and 2012 were as follows:

	Three Months Ended September 30		Years Ended September 30	
	2013	2012	**2013**	2012
	$	$	**$**	$
Wages and Salaries	**162,285**	61,884	**475,333**	255,509
Statutory Deductions	**1,981**	1,351	**13,917**	8,204
Stock-based compensation	**130,734**	233,737	**561,997**	743,609
	295,000	296,972	**1,051,247**	1,007,322

As at September 30, 2013, the outstanding balance payable to the Company's Board of Directors was $43,625.

FINANCIAL INSTRUMENTS

Fair Value

The fair value of the investment in EEStor is not reliably determinable as the common shares of EEStor 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 minimal.

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 minimal.

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 minimal.

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 amounts recorded as accrued liabilities, including the warranty provision, valuation of stock options and warrants, impairment assessment of the New Technology Agreement, the investment in EEStor, measurement of deferred tax assets and the fair value of financial instruments. The significant area requiring the use of management judgement relates to the assessment of going concern uncertainties.

Management of the Company conducts a review of the carrying value of its New Technology Agreement with EEStor 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.

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, 2013 and 2012, the following inputs were used in the Black Scholes options pricing model:

Black-Scholes assumptions used:	**2013**
Expected volatility	120%
Expected dividend yield	0.0%
Risk free interest rate	1.13%
Expected options life in years	2
Fair value per stock option granted on October 26, 2012	$ 0.40
Fair value per stock option granted on January 31, 2013[3]	$ 0.74
Fair value per stock option granted on January 31, 2013[1]	$ 0.67
Fair value per stock option granted on January 31, 2013[2]	$ 0.64
Black-Scholes assumptions used:	**2012**
Expected volatility	96%
Expected dividend yield	0.0%
Risk free interest rate	1.19%
Expected options life in years	2
Fair value per stock option granted on February 1, 2012[3]	$ 0.38
Fair value per stock option granted on March 31, 2012	$ 0.52
Fair value per stock option granted on April 18, 2012	$ 0.69

[1] 300,000 granted to Directors vest equally on the 6, 18 and 24 month anniversaries of the grant date.

[2] 300,000 granted to certain senior management vest equally on the 6, 12 and 18 month anniversaries of the grant date.

[3] The expected life of the options granted is three years.

The following table summarizes stock options granted during the year ended September 30, 2013:

Date Granted	Number Granted	Exercise Price	Expiry Date
October 26, 2012	60,000	$0.73	October 26, 2017
January 31, 2013 [1]	614,500	$1.13	January 31, 2018
Total Granted	674,500		

[1] 600,000 options granted to Directors and certain senior management.

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 International Accounting Standards Board ("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 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.

IAS 28, Investment in Associates:

In May 2011, the IASB amended IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"). This amendment requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires it to continue to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. 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 its early stage of development. 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 most recently filed AIF, 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,
- Currency risk related to a controlled foreign subsidiary.

EEStor's energy storage technology is still under development and a number of further development milestones must be achieved before commercial viability can be established. There are significant risks associated with the development of new technologies such as EEStor's energy storage technology and readers are directed to the "Risk Factors" disclosed in the Company's AIF.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As of September 30, 2013, 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 27, 2014:

	Number
Common shares outstanding	53,471,498
Issuable under options	3,578,697
Issuable under warrants	3,926,240
Total diluted commons shares	**60,976,435**

Features of the options are described in Note 14 to the audited consolidated financial statements for period ended September 30, 2013.

SUBSEQUENT EVENTS

Warrant Expiry Date Extension

On October, 2, 2013, the Company announced that it had applied for the extension of the expiry date of 2,350,000 warrants issued to investors in connection with its April 13, 2012 private placement financing. The warrants were originally set to expire October 13, 2013, with an extension date set at October 31, 2013, and a futher extension to December 10, 2013. An adjustment of $66,057 was processed relating to the extension granted. The warrants subsequently expired without being exercised.

Exercise of Warrants

Subsequent to the period end, 92,300 finder warrants were exercised at $1.35 for gross proceeds of $124,605. The remaining 61,700 finder's warrants expired unexercised. The expiry date for the finder's warrants is not permitted to be extended under TSXV rules.

Investment in EEStor

In October 2013, the Company made two additional investments in the common shares of EEStor, in the aggregate amount of US$50,000 (CDN$51,565) for an aggregate of 828 common shares and 828 common share purchase warrants.

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 and 1,401 common share purchase warrants.

Non-brokered Private Placement

On November 14, 2013 the Company completed a non-brokered private placement. The Company issued and sold 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 share purchase warrant entitles the holder to acquire one common share at a price of $1.50 until May 14, 2015. All securities issued pursuant to the private placement are subject to a 4-month hold period until March 15, 2014.

The Company paid cash finders' fee of $222,240 and issued 222,240 non-transferable finder's warrants to registered dealers in connection with the offering. Each finder's warrant entitles the holder to acquire one common share at a price of $1.50 until May 14, 2015.

Series A Preferred Shares Acquisition

On December 20, 2013, the Company announced that it had completed its previously announced purchase of 502,344 Series A Preferred Shares of EEStor and associated rights in consideration for US$1.5 million in cash and the issuance of 3,756,785 ZENN common shares.

Acquisition of Controlling Interest in EEStor

On January 23, 2014, the Company completed its previously announced investment agreement with EEStor and certain principals of EEStor. In consideration for an aggregate investment of US$1.0 million (CDN$1,107,360), ZENN received a number of Series A1 Preferred Shares of EEStor that provided it with 51% of the outstanding equity and voting shares of EEStor on an as-converted and fully-diluted basis. In addition, 360,000 additional common shares of EEStor were acquired from existing EEStor shareholders in exchange for 5,400,000 ZENN common shares providing ZENN with an approximate 68.4% equity and voting interest in EEStor on an as-converted basis. ZENN has also been granted the right to acquire all remaining EEStor shares held by the EEStor principals and their immediate family members at an agreed upon value or fair value as determined by an independent valuator if agreement cannot be reached at any time before a merger of ZENN and EEStor, which the parties have agreed to explore.

The board of directors of EEStor was also been reconstituted to six members, two of whom are to be nominated by the EEStor principals provided that they and their immediate family members continue to hold at least 15% of the EEStor voting shares, and four of whom will be nominated by ZENN, provided that two must be independent of ZENN and EEStor. Upon closing, Stewart Somers and Roger Hammock, current directors of ZENN were appointed to the EEStor board. The EEStor board now is comprised of five directors with a sixth independent director to be nominated by ZENN to fill the current vacancy.

At closing, Richard Weir, a co-founder of EEStor, resigned as Chief Executive Officer and was appointed as Honorary Chairman, Founder and Chief Science Officer of EEStor. The current CFO of EEStor will stay on for a transitional period of three months.

In consideration for their facilitation of the financing transaction and changes in the board and management of EEStor, the EEStor principals were issued an aggregate of 600,000 common shares of ZENN, 150,000 of which are held in escrow and will be released after 4-months subject to the satisfaction of certain conditions.

Stock Option

On January 13, 2014, as part of its annual compensation review the Company granted stock options to acquire an aggregate of 826,000 common shares to its officers and directors under the Company's stock option plan. Each option is exercisable to acquire one common share at a price of $0.85. The options vest as to one-quarter on each of the 6, 12, 18, and 24 month anniversaries of 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 most recently filed AIF, can be found on SEDAR at www.sedar.com and at the Company's website at www.zenncars.com.