



This "Management's Discussion and Analysis" ("MD&A") has been prepared as of August 27, 2013, 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 and nine months ended June 30, 2013, and the Company's Annual Information Form ("AIF") dated January 24, 2013. The Company's unaudited condensed interim 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. 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, 2012. 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.

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 operations through the first half of fiscal 2014.	The Company's quarterly cash burn is estimated at an average of approximately \$250,000 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.	All anticipated costs related to the closure will be provided for at the end of the next quarter. The Company's quarterly cash burn following the formal closure of the discontinued operations is expected to decrease.	Not all expenses may be anticipated and provided for by the end of the next quarter.



Forward-looking statements	Assumptions	Risk factors
<p>The Company intends to complete an equity financing to raise approximately \$3.5 million.</p>	<p>The majority of the funds are intended to fund the purchase of the Series A Preferred Shares agreement with the remainder to be used for working capital.</p>	<p>The Company may not be able to attract enough investor interest due to market conditions or other factors to complete the equity financing needed to complete the agreement and increase its cash on hand and continued support of EEStor.</p>
<p>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.</p>	<p>The EEStor energy storage technology will be successfully commercially developed and will possess the performance attributes anticipated.</p>	<p>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 proving superior features or offered at more competitive pricing. Also see "Risk Factors" section of the Company's AIF dated January 24, 2013.</p>

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. 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 also holds an equity interest in EESor, Inc.

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 EESor's capacitor-based energy storage technology, if and when commercialized.

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

HIGHLIGHTS AND SUMMARY

The following summarizes the key events in the development of the Company during the three and nine months ended June 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 current role as a Director of the Company, as Executive Vice-President, EESor 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 expire five years from the grant date.

Financial Highlights

- In the three and nine months ended June 30, 2013, the Company incurred net losses of \$438,141 and \$1,283,399, respectively, compared with \$503,721 and \$1,294,108, in the corresponding periods of the prior year. On a per share basis, for the three and nine months ended June 30, 2013, the Company incurred net losses of \$0.01 and \$0.03, respectively, which are the same as the corresponding periods of the prior year.
- The Company incurred losses from continuing operations of \$400,755 and \$1,170,053, respectively, in the three and nine months ended June 30, 2013, compared with \$464,899 and \$1,178,189, in the corresponding periods of the prior year. On a per share basis, the Company's losses from continuing operations were \$0.01 and \$0.03, respectively, which are the same as the corresponding periods of the prior year.
- In the three and nine months ended June 30, 2013, the Company incurred losses from discontinued operations of \$37,386 and \$113,346, respectively, compared to \$38,822 and \$115,919, 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 and nine months ended June 30, 2013, the Company used \$172,712 and \$713,909, respectively, of cash in its continuing operations, as compared to \$188,501 and \$973,106, in the same periods of the prior year.

Other

- On April 24, 2013, the Company entered into an agreement with EESor 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 ("LSV").



- On August 7, 2013, the Company entered into an agreement to purchase 502,344 Series A Preferred Shares of EESstor and certain rights associated with the ownership of such shares from various holders. The aggregate purchase price is US\$2.0 million in cash and the issuance of 3.0 million shares of ZENN common stock (see "Subsequent Events – Acquisition of EESstor Inc., Series A Preferred Shares"). The transaction is subject to financing by the Company.

The development of EESstor's technology is within EESstor's sole control, and further, it is within EESstor's sole purview to publicly announce information regarding its specific progress or timelines. The Company may only comment on information directly related to EESstor's progress after EESstor makes such information public or consents to such disclosure. EESstor continues to add to its patent portfolio as it relates to its energy storage technology. Additional details about EESstor's patent activity are available in the Company's AIF dated January 24, 2013.

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 and nine months ended June 30, 2013 and 2012.

	Three Months Ended June 30 (unaudited)		Nine Months Ended June 30 (unaudited)	
	2013	2012	2013	2012
	\$	\$	\$	\$
Interest Income	(2,995)	(5,521)	(12,948)	(11,797)
General and administrative	381,013	471,736	1,130,661	1,174,837
Engineering and development	(10,403)	(1,591)	163	13,332
Marketing and business development	33,140	275	52,177	1,817
Loss from continuing operations	400,755	464,899	1,170,053	1,178,189
Loss from discontinued operations	37,386	38,822	113,346	115,919
Net loss for the period	438,141	503,721	1,283,399	1,294,108
Loss per share				
Continuing operations	(0.01)	(0.01)	(0.03)	(0.03)
Discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Total	(0.01)	(0.01)	(0.03)	(0.03)

The financial results above 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 and nine months ended June 30, 2013, the Company incurred losses directly related to the LSV business of \$37,386 and \$113,346, respectively, compared to \$38,822 and \$115,919, 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 June 30 (unaudited)		For the nine months ended June 30 (unaudited)	
	2013	2012	2013	2012
	\$	\$	\$	\$
Salaries and benefits	118,554	93,641	405,541	285,014
Stock based compensation	156,148	246,126	401,323	516,436
Insurance	23,989	22,409	69,357	67,229
Legal, Audit, Regulatory	35,756	49,123	107,282	127,982
Occupancy costs	31,865	32,011	95,669	97,411
Other costs	14,577	26,969	49,926	75,082
Amortization	124	1,457	1,563	5,683
Total	381,013	471,736	1,130,661	1,174,837

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.

Other costs decreased in the current periods when compared to the same periods in the prior year, as a result of cost savings.

Engineering and Development

	For the three months ended June 30 (unaudited)		For the nine months ended June 30 (unaudited)	
	2013	2012	2013	2012
	\$	\$	\$	\$
Salaries and benefits	-	-	-	(874)
Stock based compensation	-	-	-	4,142
Service and materials	(10,403)	-	163	11,593
Rent	-	(1,591)	-	(1,591)
Other costs	-	-	-	62
Total	(10,403)	(1,591)	163	13,332



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 now deemed to be part of summaries of discontinued operations.

In the current period, the "Service and materials" recovery amount relates to the Scientific Research and Experimental Development (SR&ED) net refund of \$15,464, which is offset by consulting services obtained in relation to EEStor's technology.

Business Development

	For the three months ended June 30 (unaudited)		For the nine months ended June 30 (unaudited)	
	2013	2012	2013	2012
	\$	\$	\$	\$
Salaries and benefits	6,250	-	10,417	(120)
Stock based compensation	19,677	-	32,795	-
Other marketing related costs	7,213	275	8,965	1,937
Total	33,140	275	52,177	1,817

Business Development includes costs related to the business development activities with respect to EEStor, Inc. 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 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 provision of warranty and parts services. As of June 30, 2013, the Company closed its Service department, and does not expect to incur any further costs associated with the discontinued operations following the completion of the current 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 \$	Loss discontinued operations \$	Net loss in period \$	Loss per share continuing operations \$	Loss per share discontinued operations \$	Loss per share in period \$
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)
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)

⁽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.

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.

In the last quarter of fiscal 2011, the loss incurred from continuing operations was a result of severance costs related to senior management departures, increased stock based compensation expense and increased legal and professional fees paid as part of the reimbursement of a Director's expenses 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.

When compared to the prior fiscal year, the losses related to discontinued operations (which reflect the results of the LSV business) have remained relatively constant. 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. The Company does not expect to incur any further costs associated with the discontinued operations following the completion of the current fiscal year.

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 June 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 EESor'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). As part of the conditions to complete the acquisition of the Series A Preferred Shares agreement announced on August 7, 2013, the Company intends to raise \$3.5 million to fund the US\$2.0 million cash requirement of the agreement with the remaining funds to be used for working capital.

The Company's total cash and short-term investments at June 30, 2013, was \$953,899 compared to a combined balance of \$1,937,592 at September 30, 2012. Working capital as at the same two dates was \$658,757 and \$1,675,361, a decrease of \$297,249 in the current quarter and \$1,016,604 year to date.

In the three and nine months ended June 30, 2013, the Company recorded a loss related to its discontinued LSV operation of \$37,386 and \$113,346, respectively, compared to a loss of \$38,822 and \$115,919, 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 does not expect to incur any further costs associated with the discontinued operations following the completion of the current fiscal year.

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 EESor as described below under "Capital Commitments", management is confident the Company has adequate cash resources on hand to fund its operations through the first half of fiscal 2014. The Company believes that if EESor achieves its milestones discussed below and milestone payments become payable to EESor, 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 June 30, 2013, or the date of this MD&A.

The Company has a commitment with respect to its EESor technology rights whereby payment is contingent on EESor 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 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.



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 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 or 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 period ended June 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, EESor Relations.

Key management personnel may also participate in the Company's stock-based compensation plans. See Note 13 to the unaudited condensed interim consolidated financial statements for the three and nine months ended June 30, 2013, for details.



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

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Wages and Salaries	94,292	63,375	313,048	193,625
Statutory Deductions	1,583	1,425	11,936	6,853
Stock-based compensation	175,016	245,467	431,263	509,872
	270,891	310,267	756,247	710,350

As at June 30, 2013, the outstanding balance payable to the Company's Board of Directors was \$36,625.

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 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 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 inventory impairment, amounts recorded as accrued liabilities, including the warranty provision, valuation of stock options and warrants, impairment assessment of the New Technology Agreement, EEStor advance and 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.

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 and nine months ended June 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 ⁽³⁾	\$ 0.40
Fair value per stock option granted on January 31, 2013	\$ 0.74
Fair value per stock option granted on January 31, 2013 ⁽¹⁾⁽³⁾	\$ 0.67
Fair value per stock option granted on January 31, 2013 ⁽²⁾	\$ 0.64
Black-Scholes assumptions used:	2012
Expected volatility	98%
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 ⁽³⁾	\$ 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 two years.

The following table summarizes stock options granted during the nine months ended June 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" ("IFRS10"). 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.

Unless otherwise indicated, public disclosures by EEStor of developments in the commercialization of its energy storage technology have not been independently verified by ZENN. 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 June 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 August 27, 2013:

	Number
Common shares outstanding	39,918,413
Issuable under options	3,069,163
Issuable under warrants	2,504,000
Total diluted commons shares	45,491,576

Features of the options are described in Note 13 to the unaudited condensed interim consolidated financial statements for period ended June 30, 2013.



SUBSEQUENT EVENTS

Head Office Relocation

In July 2013, the Company entered into a long-term lease agreement with the minimum commitment under the lease for each fiscal year ended September 30 of:

2014	\$	71,349
2015		71,349
	\$	142,698

The Company's head office was 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.

Acquisition of EESstor Inc., Series A Preferred Shares

On August 6, 2013, the Company entered into an agreement to acquire additional shares of EESstor, Inc. Under the agreement, a wholly-owned subsidiary of the Company has agreed to purchase 502,344 shares of Series A Preferred Shares of EESstor and certain rights associated with the ownership of such shares from three arm's length vendors. The aggregate purchase price for the Series A Shares is US\$2.0 million in cash and the issuance of 3.0 million shares of the Company's common stock. The transaction is subject to the satisfaction of a number of conditions, including the completion by the Company of equity financing to fund the cash portion of the purchase price and approval of the TSX Venture Exchange.

The Company intends to raise up to \$3.5 million through a non-brokered private placement of equity securities to fund the purchase and for general corporate purposes.

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.