This "Management's Discussion and Analysis" ("MD&A") has been prepared as of January 28, 2015, and should be read in conjunction with the audited consolidated financial statements of ZENN Motor Company Inc. (the "Company", or "ZMC") for the years ended September 30, 2014 and 2013, and the Company's Annual Information Form ("AIF") January 28, 2015. Any specific reference to "ZENN" herein means ZENN Motor Company alone and any reference to "EEStor" a 71.3% subsidiary of ZENN, means EEStor, Inc. alone. 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 for the first half of the 2015 fiscal year.	The Company's quarterly cash burn rate is estimated at an average of approximately $270,000 related to ZENN and US$420,000 related to EEStor.	Unforeseen expenses may arise for the Company during this period and may affect the length of time estimated.
ZENN intends to complete an equity financing.	The funds are intended to be used towards continued third party testing and ongoing enhancement to the current technology and for further working capital.	ZENN may not be able to complete the desired equity financing due to market conditions or other factors needed to increase its cash on hand and continue to operate and support EEStor.

Forward-looking statements	Assumptions	Risk factors
The Company does not anticipate any additional cash expenses related to Discontinued Operations.	All anticipated costs related to the closure have been provided for as of September 30, 2013.	Not all expenses may be anticipated and provided for as of September 30, 2013.
Management believes that its technology, if proven successful, will allow the Company to successfully license and or partner with known commercial capacitor companies that require a capacitor that provides high voltage and high capacitance at a substantially lower cost to currently available technologies.	The energy storage technology will be successfully commercially developed and will possess the performance attributes anticipated.	The energy storage technology may not be successfully commercialized for financial, technical or other reasons, or in a manner providing the features and benefits expected or on a timely basis. The technology, even if successfully developed, may not gain market acceptance. Also see "Risk Factors" section of the Company's most recently filed AIF.

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

The Company's mission is to be the provider of leading edge energy storage solutions and related technologies. The Company operates on the principle and belief that a fundamental breakthrough in energy storage will be the catalyst for positive environmental and economic change globally. The Company's current business strategy is to focus on licensing and partnership opportunities across a broad spectrum of industries and applications if, as and when its technology achievements have been independently validated.

ZENN holds an approximate 71.3% as-converted equity and voting interest in EEStor, as well as certain rights to technology under development by EEStor. The acquisition of the controlling interest in EEStor has aligned the businesses of both companies and provides ZENN with the opportunity to benefit from all potential EEStor revenue including aluminium electrolytic capacitors utilizing the knowledge and technology associated with EEStor's energy storage development.

HIGHLIGHTS AND SUMMARY

The following summarizes the key events in the development of the Company during the year ended September 30, 2014, and up to the date of this MD&A:

Board and Management

- 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.
- On April 28, 2014, the Company announced that Roger Hammock had resigned as a director of ZENN and as a director of EEStor. Ian Clifford was appointed a director and CEO of EEStor and Stewart Somers assumed the role as Chairman of EEStor's Board.
- On May 19, 2014, James Kofman resigned as Chairman, Interim CEO and director of ZENN. In addition, Allan Gregg, resigned as a ZENN director and the transition consulting contract of Mr. Jamin Patrick was not extended. Ian Clifford was appointed as ZENN's CEO and Stewart Somers assumed the role of Chairman of the Board.

- On May 19, 2014, Kevin Spall was appointed to ZENN's Board of Directors.
- On June 4, 2014, the Company announced that, subject to regulatory approval, Paul Mesburis has been appointed to the EEStor Board as one of two independent nominees. The Company also granted an aggregate of 1,410,000 stock options to Directors, Officers and employees of the Company. The options vest equally over a twelve month period and each option granted entitles the holder to acquire one common share at a price of $0.32 and expires five years from the grant date.
- On December 22, 2014, the Company granted an aggregate of 856,000 stock options to Directors, Officers and employees of the Company; 440,000 of the options vest equally over a twelve month period and the remainder are to vest equally over an eighteen month period. Each option granted entitles the holder to acquire one common share at a price of $0.57 and expires five years from the grant date.

Financial Highlights

- In the three months and year ended September 30, 2014, the Company (including EEStor) incurred losses of $735,986 and $2,601,207, respectively, compared to ZENN's losses of $331,678 and $1,615,077, in the corresponding prior periods. On a per share basis, for the three months and year ended September 30, 2014, the Company incurred net losses of $0.01 and $0.06, respectively, compared to ZENN's losses of $0.01 and $0.04, respectively, in the corresponding prior periods.
- EEStor incurred total losses from continuing operations of $379,884 and $1,155,289, for the current quarter September 30, 2014 and the period from January 27, 2014 (date of acquisition of control) to September 30, 2014, respectively.
- During the three months and year ended September 30, 2014, the Company used $718,349 and $2,497,890, respectively, of cash in its continuing operations, as compared to ZENN's use of $200,114 and $914,023 in the corresponding prior periods.

Other

- On November 14, 2013, ZENN completed a non-brokered private placement in which 3,704,000 units at $1.00 were issued resulting in gross proceeds of $3,704,000.
- On December 20, 2013, ZENN completed the acquisition of Series A Preferred Shares of EEStor from three arm's length shareholders. As a result, ZENN's ownership increased to approximately 41% equity and voting interest in EEStor on an as-converted basis. The purchase price was US$1.5 million in cash and 3,756,785 common shares of ZENN.
- On December 23, 2013, ZENN entered into an agreement to acquire a controlling interest in EEStor. The transaction was completed on January 27, 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.
- On May 8, 2014, ZENN acquired a further 59,739 shares of common and Series A Preferred Stock of EEStor, on the basis of fifteen (15) ZENN common shares for each EEStor share exchanged pursuant to a share exchange offer to minority shareholders of EEStor. In addition ZENN also acquired 18,099 outstanding warrants of EEStor in exchange for warrants of ZENN having the same terms and conditions, except that upon exercise the holder will receive fifteen (15) ZENN common shares for each EEStor share they otherwise would have received. As a result of the exchanges, ZENN now owns 71.3% of the voting and equity shares of EEStor on an as-converted basis.
- On July 9, 2014, the Company announced its intention to redirect its focus to producing electrical energy storage layers meeting or exceeding existing commercial capacitor products outside of high energy density storage markets which will be engineered as replacement technology for the high voltage aluminium electrolytic and power film capacitor markets. At the same time, the Company announced that Intertek Group plc ("Intertek") had

been engaged to validate the internal test results of the initial layers for use as replacement technology for high voltage aluminium electrolytic capacitors and other high voltage capacitors.

- On September 15, 2014, ZENN completed a non-brokered private placement in which 5,076,922 units at $0.26 were issued resulting in gross proceeds of $1,320,000.
- On December 17, 2014, the Company released independent testing results performed by Intertek Group plc, of a sampling of EEStor capacitor layers across multiple voltages using Intertek's equipment and testing protocols. In addition, the Company published a report written by Mr. Dennis Zogbi, CEO of Paumanok Publications, entitled "EEStor Capacitor Technology. Opportunities in the Global Capacitor Market 2014" which contextualizes the results of the Intertek Report. (see "Subsequent Events - *Independent Testing Results Announced")*.
- On December 22, 2014, the Company entered into an investor relations consulting agreement with Mr. John Zammit. As part of the agreement, Mr. Zammit has been granted 440,000 stock options subject to regulatory approval. One-half of the options will expire after six months and the remaining one-half expire after twelve months, and all options have an exercise price of $0.35 (see "*Subsequent Events – Investor Relations Agreement*").
- EEStor continues to work on its patent portfolio as it relates to its energy storage technology. Additional details about EEStor's patent activity is 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 financial years and have been prepared in accordance with International Financial Reporting Standards.

(audited)	For the years ended September 30		
	2014 **$**	2013 $	2012 $
Loss from continuing operations	**(3,173,925)**	(1,625,542)	(1,528,425)
Income/(Loss) from discontinued operations	**(28,000)**	10,465	(154,532)
Non-controlling interest	**600,718**	-	-
Net loss attribute to ZENN in period	**(2,601,207)**	(1,615,077)	(1,682,957)
Loss per share	**(0.06)**	(0.04)	(0.04)
Weighted average number of shares outstanding	**50,742,403**	39,911,653	38,513,705
Total assets on hand	**27,195,866**	12,768,835	13,793,713
Cash, cash equivalents, short term investments	**1,013,181**	715,869	1,937,592
Working capital	**701,084**	461,292	1,675,361
Shareholders' equity	**26,714,354**	12,340,019	13,374,797

DISCUSSION OF OPERATING RESULTS

Operating results

The following table summarizes the Company's operating results for continuing operations, segregating the Company's loss from discontinued operations, for the three months and years ended September 30, 2014 and 2013.

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Interest (Income)	**(661)**	(2,111)	**(10,375)**	(15,059)
Share of loss of associates	**-**	-	**91,126**	-
General and administrative	**657,051**	387,508	**2,230,098**	1,518,169
Engineering and development	**259,889**	30,492	**757,851**	30,655
Business development	**2,269**	39,600	**105,225**	91,777
Loss from continuing operations	**918,548**	455,489	**3,173,925**	1,625,542
Loss from discontinued operations	**7,000**	(123,811)	**28,000**	(10,465)
Net loss for the period	**925,548**	331,678	**3,201,925**	1,615,077
Non-controlling interest	189,562	-	600,718	-
Loss attributed ZENN	**735,986**	**331,678**	**2,601,207**	**1,615,077**
Loss per share				
Continuing operations	**(0.01)**	(0.01)	**(0.06)**	(0.04)
Discontinued operations	**(0.00)**	0.00	**(0.00)**	0.00
Total	**(0.01)**	(0.01)	**(0.06)**	(0.04)

In accordance with IFRS, the Company is required to incorporate the financial results of EEStor in its consolidated statements as a result of the acquisition of control of EEStor on January 27, 2014. The segmented financial information for EEStor is provided below under "EEStor Operations". The continuing operations expenses incurred by ZENN for the three and twelve months ended September 30, 2014, increased incrementally as a result of cash compensation arrangements for the former and current Chief Executive Officer together with the EVP, EEStor relations for the current fiscal year, the vesting of new stock options granted and legal expenses related to the acquisition of control of EEStor.

In the three months and year ended September 30, 2014, the Company incurred a non-cash related loss of $7,000 and $28,000, respectively, in respect of discontinued operations as a result of the payment of a premium on a run off insurance policy for the LSV business, which expires in July 2015. The Company ceased providing its service support in June 2013 and does not expect to incur any further costs.

The tables on the following page 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)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries and benefits	**297,410**	176,027	**873,876**	581,568
Stock based compensation	**186,001**	119,460	**646,998**	520,783
Insurance	**29,902**	24,013	**112,937**	93,370
Legal, audit, regulatory	**42,515**	24,113	**290,947**	131,395
Occupancy costs	**62,350**	11,398	**191,407**	107,067
Other costs	**37,885**	32,497	**110,602**	82,423
Amortization	**988**	-	**3,331**	1,563
Total	**657,051**	387,508	**2,230,098**	1,518,169

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. The above amounts also include expenses incurred by EEStor for the period January 27, 2014 to September 30, 2014, that are not included in the prior year amounts. Costs specifically related to ZENN's salaries and benefits increased by approximately $88,000 and $81,000 in the current quarter and year to date, respectively, as a result of a cash compensation arrangement for the former and current Chief Executive Officer and retention payments to certain employees during the Company's transition period. Stock based compensation also increased in the current period by approximately $66,000 and $126,000 for the three and twelve month periods, respectively, as a result of the vesting of stock options granted in the current period and the accelerated vesting period for departing Directors on a year to date basis. In the current twelve month period, the Company incurred legal costs related to the EEStor acquisition of control of $82,280. These costs were offset by a reduction in the occupancy expense of approximately $31,000 on a year to date basis as a result of the office relocation in July 2013.

Engineering and Development

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries and benefits	**202,502**	-	**549,112**	-
Stock based compensation	**3,001**	-	**6,265**	-
Service and materials	**42,891**	30,271	**175,796**	30,434
Other costs	**11,495**	221	**26,678**	221
Total	**259,889**	30,492	**757,851**	30,655

Engineering and Development includes all costs related to product research, engineering and development. The above amounts also include expenses incurred by EEStor for the period January 27, 2014 to September 30, 2014, that are not included in the prior year amounts. Costs incurred by ZENN for the year ended September 30, 2014 is $31,480 compared to the prior year's $30,434, both relating to consulting charges incurred related to the technology.

Business Development

	For the three months ended September 30 (unaudited)		For the years ended September 30 (audited)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries and benefits	**-**	22,916	**37,291**	33,333
Stock based compensation	**-**	12,523	**55,003**	45,318
Other marketing related costs	**2,269**	4,161	**12,931**	13,126
Total	**2,269**	39,600	**105,225**	91,777

Business Development includes costs related to the Executive Vice-President, EEStor Relations ("EVP") position which ceased at the end of April 2014.

EEStor Operations

	For the three months ended September 30, 2014 US$	January 27, 2014 - September 30, 2014 US$
General and administrative	110,199	393,910
Engineering and development	238,671	661,216
Interest income	-	(4)
Net loss	**348,870**	**1,055,122**

The average foreign exchange rate used for consolidation purposes relating to operating expenses from January 27 to March 31 is 1.1092, 1.0902 for the period April 1 to June 30 and 1.0889 for the period July 1 to September 30.

Discontinued Operations

In June 2013 ZENN closed its Service department, and all expenses anticipated relating to the discontinued operations have been provided for in fiscal 2013.

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, 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)
December 31, 2013	(384,222)	(7,000)	(391,222)	(0.01)	0.00	(0.01)
March 31, 2014	(915,887)	(7,000)	(922,887)	(0.02)	0.00	(0.02)
June 30, 2014	(955,268)	(7,000)	(962,268)	(0.02)	0.00	(0.02)
September 30, 2014	(918,548)	(7,000)	(925,548)	(0.01)	0.00	(0.01)

For the two quarters ending December 31, 2013 and March 31, 2014, the previously reported losses related to continuing operations increased due to the inclusion of the proportionate share of EEStor's losses of $24,123 and $67,003, respectively, for the period December 20 to December 31, 2013 and January 1, 2014 to January 26, 2014. The loss related to EEStor operations for the period January 27, 2014 to September 30, 2014, has also been incorporated in the previous two quarters and current quarter totals following the acquisition of control. Cash compensation arrangements were entered into with the former and current CEO and EVP, EEStor Relations and are reflected in the current three and twelve month periods.

The losses related to discontinued operations (which reflect the results of the LSV business) in the quarter ended September 30, 2013, included a warranty adjustment of $166,875, offset by severance cost related to the closure of the service support department of ($25,731). ZENN has provided for all anticipated expenses at the end of the 2013 fiscal year and does not expect to incur any further costs associated with the discontinued operations following the completion of the 2013 fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

In the period ended September 30, 2014, and up to the date of this MD&A, the Company continued to incur losses and is drawing on cash resources.

The Company's financial liquidity is currently supported by cash and short-term investments. The Company is not cash flow positive and its ongoing ability to remain liquid will depend on a number of factors including licensing and partnering arrangements following independent validation of its technology for the aluminium electrolytic market, the rate of cash expenditures to fund ongoing operations and research development, 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). The Company is working on a non-brokered private placement which has not yet been completed. If completed, the net proceeds from the placement would be used to hire senior staff at EEStor in order to expand its development capabilities and accelerate product development, to protect intellectual property, to conduct extensive third-party testing activities of ongoing enhancements to the current technology, to arrange partnership and licensing opportunities with key global capacitor companies with the balance for working capital and general corporate purposes.

On November 14, 2013, ZENN successfully completed a non-brokered private placement that resulted in gross proceeds for ZENN 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 purchase price for the acquisition of control of EEStor, with the balance for working capital and general corporate purposes.

On September 15, 2014, ZENN successfully completed a non-brokered private placement that resulted in gross proceeds for ZENN of $1,320,000. The net proceeds from the offering were used for working capital and general corporate purposes.

The Company's total cash and short-term investments at September 30, 2014, was $1,013,181 compared to a balance for ZENN of $715,869 at September 30, 2013. Working capital as at the same two dates was $701,084 and $461,292 respectively.

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 through the first half of the 2015 fiscal year.

CAPITAL COMMITMENTS

The Company does not have any material commitments for capital assets as at September 30, 2014, or the date of this MD&A.

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 period ended September 30, 2014.

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 plan. See Note 12 to the audited consolidated financial statements for the three months and year ended September 30, 2014, for details.

The remuneration of key management personnel during the three months and years ended September 30, 2014 and 2013 were as follows:

	For the three months ended September 30		For the years ended September 30	
	2014	2013	**2014**	2013
	$	$	**$**	$
Wages and salaries	**241,983**	162,285	**624,265**	475,333
Statutory deductions	**8,873**	1,981	**30,862**	13,917
Stock-based compensation	**170,277**	130,734	**654,201**	561,997
	421,133	295,000	**1,309,328**	1,051,247

As at September 30, 2014, the net outstanding balance payable to the Company's directors was $32,610.

Consulting Agreement

An agreement was entered into with Mr. J. Gregory Gooch, a member of the EEStor Board of Directors, for the provision of his consulting services relating to the EEStor technology. The contract provides for an hourly rate of CDN $110 and CDN $55 per hour related to any travel time required. The contract was effective from July 1 to September 30, 2014, following this date his services are being provided on a weekly basis. During the period July 1 to September 30, fees and other expenses of $23,099 before tax were paid accrued under this agreement.

Employee Advance

ZENN has advanced $41,681 to Mr. Ian Clifford, a director and CEO of the Company. A promissory note evidencing the advance provides for a 2% annual interest rate and a due date of March 31, 2015.

FINANCIAL INSTRUMENTS

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 or other 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 annual 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., ZMC America, Inc. and EEStor, Inc., which as at the date of this report, ZENN holds a 71.3% controlling interest in. Intercompany transactions and balances are eliminated on consolidation.

The Company's audited consolidated financial statements have been prepared by management in accordance with 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 valuation of purchase price allocation, stock options, warrants, 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.

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 options is determined using the Black-Scholes option pricing with the following weighted average assumptions: (i) dividend yield of 0% (2013 – 0%), (ii) expected volatility of approximately 150% (2013 – 120%), (iii) risk free interest rate of 1.06% (2013 – 1.13%), (iv) the average expected life of 1.17 years (2013 – 2 years), and (v) the average share price on date of issuance of $0.52 (2013 - $1.11). Expected volatility is based on historical volatility. The Company includes an estimated forfeiture rate, with actual forfeitures reversed in the period they occur. The weighted average fair value of the cost of grants in the period was approximately $0.33 (2013 - $0.64) per instrument.

For options granted during the three months and years ended September 30, 2014 and 2013, the following inputs were used in the Black Scholes options pricing model:

Black-Scholes assumptions used:	**2014**
Expected volatility	150%
Expected dividend yield	0.0%
Risk free interest rate	1.06%
Expected options life in years	1.17
Fair value per stock option granted on January 14, 2014 (1)	$ 0.57
Fair value per stock option granted on April 4, 2014 (2)	$ 0.45
Fair value per stock option granted on June 4, 2014 (3)	$ 0.19
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 (4)	$ 0.74
Fair value per stock option granted on January 31, 2013 (5)	$ 0.67
Fair value per stock option granted on January 31, 2013 (6)	$ 0.64

(1)820,000 granted to Directors and certain senior management vest equally on the 6, 12, 18 and 24 month anniversaries of the grant date.

(2)30,000 granted to a consultant vested on date of grant.

(3)1,300,000 granted to officers and directors vest equally over a twelve month period and will expiry five years from the date of grant.

(4)The expected life of the options granted is three years.

(5)300,000 granted to Directors vest equally on the 6, 18 and 24 month anniversaries of the grant date

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

The following table summarizes stock options granted during the year ended September 30, 2014:

Date Granted	Number Granted	Exercise Price	Expiry Date
January 14, 2014	826,000	$0.85	January 14, 2019
April 4, 2014	30,000	$0.63	April 4, 2019
June 4, 2014	1,410,000	$0.32	June 4, 2019
Total Granted	2,266,000		

NEW ACCOUNTING STANDARDS AND AMENDMENTS

The following new standards and amendments have been adopted and are effective for the Company's interim and annual consolidated statements commencing October 1, 2013:

IFRS 10, Consolidated Financial Statements

The IASB issued a new standard, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 establishes control as the basis for consolidation and defines the principle of control. An investor controls an investee if the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 10 did not have an impact on the Company's results of operations, financial position and disclosures.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued a new standard, IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), which integrates and provides consistent disclosure requirements for all interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 12 did not have an impact on the Company's prior results of operations, financial position and disclosures. The adoption of IFRS 12 has resulted in additional disclosures in Note 8 to the 2014 consolidated financial statements.

IFRS 13, Fair Value Measurement

On January 1, 2013, the Company adopted IFRS 13, which provides a single source of guidance on how fair value is measured, replacing the fair value measurement guidance contained in individual IFRSs. The standard defines fair value and establishes a framework for measuring fair value. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of IFRS 13 did not have an impact on the Company's results of operations, financial position and disclosures.

IAS 27, Separate Financial Statements

The IASB issued a revised standard, IAS 27, "Separate Financial Statements" ("IAS 27"), which contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. IAS 27 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IAS 27 did not have an impact on the Company's results of operations, financial position and disclosures.

IAS 28, Investment in Associates

The IASB issued a revised standard, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IAS 28 did not have an impact on the Company's results of operations, financial position and disclosures.

Accounting Pronouncements Issued But Not Yet Effective

As at the date of the MD&A, the Company has determined that the following matter 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 pronouncement may impact the Company's accounting and disclosure of its activities:

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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. 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 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 its technologies and potential impact on the Company if this does not occur at all or in a timely manner, or if the commercial applications do not possess the anticipated functionality and benefits,
- Early stage of development, history of losses,
- Additional financing requirements,
- Currency risk related to a 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 ZENN's AIF.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As of September 30, 2014, 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 28, 2015:

	Number
Common shares outstanding	59,444,505
Issuable under options	5,665,300
Issuable under warrants	9,338,772
Total diluted commons shares	**74,448,577**

Features of the options are described in Note 12 to the audited consolidated financial statements for period ended September 30, 2014.

SUBSEQUENT EVENTS

Independent Testing Results Announced

On December 17, 2014, the Company released the findings of four independent reports on the testing of the capacitor technology developed by its 71.3% owned subsidiary, EEStor.

Intertek Group plc ("Intertek") was contracted to test a sampling of EEStor capacitor layers across multiple voltages using its own equipment and testing protocols.

Key highlights and findings of the Intertek report include:

1. Capacitance remains constant across multiple voltages and frequencies.
2. A sampling of commercially available Aluminium Electrolytic capacitors hi-pot tested to approximately 32% above rated voltage, whereas EEStor parts in the same voltage range tested to approximately 112% above the rated layer voltage.
3. Leakage current is better than tested commercially available Aluminium Electrolytic (AE) capacitors.
4. EEStor capacitors are non-polar and show the same capacitance or resistance regardless of polarity.
5. All EEStor samples were charged in milliseconds without any noted degradation of performance.
6. As the comparative data illustrates, the cumulative effects of the layered EEStor part appear to be well beyond the simple additive values.
7. The layered EEStor part is injection molded in polypropylene to ensure a full hermetic seal.
8. The resistance and capacitance levels of the dried high voltage parts indicate exceptional performance and provide for additional volumetric efficiencies over parts compromised by humidity. Volumetric benefits of EEStor's technology are seen throughout the voltages tested and become even more apparent at higher voltages.
9. The EEStor capacitor technology is significantly smaller than incumbent technology with similar performance characteristics.

10. Hi-pot testing indicated up to the following volts per micron capacities of the EEStor parts at these voltages:

    - 250VDC: Hi-pot value of 930VDC/thickness of part tested (13 microns) = volts per micron of: 71VDC
    - 450VDC: Hi-pot value of 1130VDC/thickness of part tested (14 microns) = volts per micron of: 81VDC
    - 700VDC: Hi-pot value of 1360VDC/thickness of part tested (18 microns) = volts per micron of: 76VDC
    - 1000VDC: Hi-pot value of 1890VDC/thickness of part tested (22 microns) = volts per micron of: 86VDC
    - 1500VDC: Hi-pot value of 2440VDC/thickness of part tested (29 microns) = volts per micron of: 84VDC

Investor Relations Agreement

On December 22, 2014, the Company announced that, subject to regulatory approval, it has retained the services of Mr. John Zammit to provide investor relations consulting services to the Company. Mr. Zammit is a Canadian trained chartered accountant who has actively advised organizations and individuals regarding international tax, investments and capital markets since 1996.

Mr. Zammit will provide ZENN with strategic introductions into the technology investment community and will actively advise the Company on its existing relationships. In addition, Mr. Zammit will be responsible for arranging investor and analyst meetings, and communicating corporate news and developments to the Company's shareholders, the financial community and the media.

In consideration for the services to be provided, ZENN has, subject to regulatory approval, granted to Mr. Zammit stock options under the Company's stock option plan to acquire 440,000 common shares exercisable as to one-half for a 6 month period and the remaining one-half for a 12 month period at a price of $0.35 per share. One-quarter of the options granted shall vest and become exercisable on each of the 3, 6, 9 and 12 month anniversaries of the date of grant.

Grant of Options

On December 22, 2014, the Company announced that it has granted options to acquire an aggregate of 856,000 common shares to officers, directors and employees of the Company under ZENN's stock option plan. Each option is exercisable to acquire one common share at a price of $0.57; 400,000 options vest equally over a twelve month period and 456,000 vest equally over an eighteen month period. All options will expire five years from the date of grant.

ADDITIONAL INFORMATION

Additional information relating to the Company, including ZENN's most recently filed AIF, can be found on SEDAR at www.sedar.com and at the Company's website at www.zenncars.com.