This "Management's Discussion and Analysis" ("MD&A") has been prepared as of May 30, 2014, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of ZENN Motor Company Inc. (the "Company", "ZENN" or "ZMC") for the three and six months ended March 31, 2014, and the Company's Annual Information Form ("AIF") dated February 19, 2014. 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, 2013. 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 February 19, 2014. 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 2014 fiscal year.	The Company's quarterly cash burn rate is estimated at an average of approximately $270,000 per quarter related to ZENN and $US420,000 per quarter related to EEStor.	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 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.

Forward-looking statements	Assumptions	Risk factors
The Company intends to complete an equity financing.	The funds are intended to be used for working capital.	The Company 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.
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 AIF dated February 19, 2014.

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 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 being recalibrated 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.

The Company holds an approximate 71.3% equity and voting interest and certain technology rights to an energy storage technology currently under development by EEStor, Inc. ("EEStor"). The acquisition of the controlling interest in EEStor aligns the businesses of both companies and allows ZENN to benefit from other revenue streams that might be available to EEStor, including applications not limited to high density energy storage. The energy storage technology is explained in the Company's AIF dated February 19, 2014, in the section entitled "EEStor, Inc. Technology Agreement".

HIGHLIGHTS AND SUMMARY

The following summarizes the key events in the development of the Company during the three and six months ended March 31, 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 has resigned as a director of the Company and as a director of the Company's subsidiary EEStor.
- On May 19, 2014, James Kofman resigned as its Chairman, Interim CEO and as a director; Allan Gregg, also resigned as a director and the transition consulting contract of Mr. Jamin Patrick was not extended. Ian Clifford was appointed as CEO and Stewart Somers assumed the role as Chair of the Board.
- On May 19, 2014, the Company announced that, subject to regulatory approval, Kevin Spall has been appointed to the board of directors.

Financial Highlights

- In the three and six months ended March 31, 2014, the Companies incurred net losses of $749,831 and $1,141,053, respectively, compared to the Company's losses of $484,292 and $845,258, in the corresponding periods of the prior year. On a per share basis, for the three and six months ended March 31, 2014, the Companies incurred net losses of $0.02 and $0.03, respectively, compared to the Company's losses of $0.01 and $0.02, respectively, in the corresponding periods of the prior year.
- The Companies incurred losses from continuing operations of $742,831 and $1,127,053, respectively, in the three and six months ended March 31, 2014, compared with the Company's losses of $448,981 and $769,298, in the corresponding periods of the prior year. On a per share basis, the Companies' losses from continuing operations of $0.02 and $0.03, respectively, compared to the Company's losses of $0.01 and $0.02, respectively, in the corresponding periods of the prior year.
- EEStor incurred a total loss from continuing operations of $318,117, for the period January 27, 2014 to March 31, 2014.
- In the three and six months ended March 31, 2014, the Company incurred losses from discontinued operations of $7,000 and $14,000, respectively, compared to $35,311 and $75,960, 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 six months ended March 31, 2014, the Companies used $1,101,783 and $1,281,912, respectively, of cash in its continuing operations, as compared to the Company's use of $373,156 and $541,197 in the same periods of the prior year.
- 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.

Other

- 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.
- 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 Pref Shares of EEStor as a result the Company's ownership increased to approximately 41% equity and voting interest in EEStor. The purchase price was US$1.5 million in cash and 3,756,785 common shares of ZENN.
- On December 23, 2013, the Company 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, the Company announced that it had completed the share and warrant exchanges extended to all shareholders of EEStor who did not participate in the share exchange announced by ZENN on January 27, 2014. ZENN acquired 59,739 shares of common stock of EEStor under the share exchange offer and issued 896,085 common shares of ZENN on the basis of fifteen (15) ZENN common shares for each EEStor share exchanged. ZENN also acquired warrants of EEStor to acquire 18,099 shares of common stock 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. Following the offer, ZENN now currently owns 71.3% of the voting and equity shares of EEStor on an as-converted basis.
- 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 AIF dated February 19, 2014.

DISCUSSION OF OPERATING RESULTS

Operating results

The following table summarizes the Companies' operating results for continuing operations, segregating the Company's loss from discontinued operations, for the three and six months ended March 31, 2014 and 2013.

	Three Months Ended March 31 (unaudited)		Six Months Ended March 31 (unaudited)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Interest (Income)	**(2,705)**	(4,216)	**(8,524)**	(9,953)
Share of loss of associates	**67,003**	-	**91,126**	-
General and administrative	**626,816**	433,809	**937,529**	749,648
Engineering and development	**177,039**	1,239	**202,838**	10,566
Business development	**47,734**	18,149	**77,140**	19,037
undernoted items	**915,887**	448,981	**1,300,109**	769,298
Undernoted items	**-**	-	**-**	-
Loss from continuing operations	**915,887**	448,981	**1,300,109**	769,298
Loss from discontinued operations	**7,000**	35,311	**14,000**	75,960
Net loss for the period	**922,887**	484,292	**1,314,109**	845,258
Non-controlling interest	173,056	-	173,056	-
Loss attributed ZENN	**749,831**	**484,292**	**1,141,053**	**845,258**
Loss per share				
Continuing operations	**(0.02)**	(0.01)	**(0.03)**	(0.02)
Discontinued operations	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Total	**(0.02)**	(0.01)	**(0.03)**	(0.02)

Following the completion of the acquisition of control of EEStor on January 27, 2014, the Company is required to incorporate the financial results of EEStor in its consolidated statements in accordance with IFRS. The segmented financial information for EEStor is provided below under ("EEStor Operations"). The continuing operations expenses incurred by ZENN for the three and six months ended March 31, 2014 are comparable to the respective periods in the prior year.

In the three and six months ended March 31, 2014, the Company incurred a non-cash related loss of $7,000 and $14,000, respectively, as a result of the payment of a premium on a run off insurance policy for the LSV business, which expires July 2015. In June 2013, the Company ceased providing its service support and does not expect to incur any further costs.

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

General and Administrative

	For the three months ended March 31 (unaudited)		For the six months ended March 31 (uaudited)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries and benefits	**243,977**	177,660	**374,954**	286,987
Stock based compensation	**165,323**	146,366	**244,218**	245,175
Insurance	**28,746**	22,945	**52,771**	45,368
Legal, audit, regulatory	**118,845**	37,011	**159,789**	71,526
Occupancy costs	**49,337**	31,864	**68,401**	63,804
Other costs	**20,406**	17,244	**37,214**	35,349
Amortization	**182**	719	**182**	1,439
Total	**626,816**	433,809	**937,529**	749,648

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 March 31, 2014, that are not included in the prior year amounts. Costs incurred by ZENN in the current three and six month are comparable to the respective periods in the prior year.

Engineering and Development

	For the three months ended March 31 (unaudited)		For the six months ended March 31 (uaudited)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries and benefits	**142,574**	-	**142,574**	-
Stock based compensation	**-**	-	**-**	-
Service and materials	**41,029**	1,239	**63,864**	10,566
Other costs	**(6,564)**	-	**(3,600)**	-
Total	**177,039**	1,239	**202,838**	10,566

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 March 31, 2014, that are not included in the prior year amounts. Costs incurred by ZENN in the current three and six month periods have increased incrementally by $7,384 and $23,856, respectively, when compared to the prior year for consulting charges incurred related to the technology.

Business Development

	For the three months ended March 31 (unaudited)		For the six months ended March 31 (unaudited)	
	2013	2012	**2013**	2012
	$	$	**$**	$
Salaries and benefits	**21,471**	4,167	**37,312**	4,167
Stock based compensation	**24,077**	13,118	**33,020**	13,118
Other marketing related costs	**2,186**	864	**6,808**	1,752
Total	**47,734**	18,149	**77,140**	19,037

Business Development includes costs related to the business development activities with respect to EEStor in the current period. "Salaries and benefits" and "Stock based compensation" costs increased as a result of the created position of Executive Vice-President, EEStor Relations ("EVP") at the end of January 2013. As a result of the acquisition of control of EEStor, the EVP completed the transition out of the role at the end of April 2014.

EEStor Operations

	US $
General and administrative expenses	134,967
Engineering and development	151,836
Interest income	(4)
Net loss	**286,799**

The average foreign exchange rate used to covert to Canadian dollars was 1.1092.

Discontinued Operations

In June 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 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 $
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)
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)

For the current three and six month periods, the losses related to continuing operations increased when compared to the comparable period of the prior year, 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 March 31, 2014, has also been incorporated in the current quarter totals following the acquisition of control. Cash compensation arrangements were entered into with the CEO and EVP, EEStor Relations and are reflected in the current three and six month periods.

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 quarter ended June 30, 2013, included 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 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 March 31, 2014, and up to the date of this MD&A, the Companies continued to incur losses and are drawing on their cash resources.

The Companies' financial liquidity is currently supported by cash and short-term investments. The Companies are development stage enterprises and are not cash flow positive. The Companies' 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 Companies' total cash and short-term investments at March 31, 2014, was $1,050,274 compared to a combined balance of $715,869 at September 30, 2013. Working capital as at the same two dates was $836,699 and $461,292.

The Companies' 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 Companies with very low levels of liquidity risk on its invested financial instruments.

The Companies have 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 for the fiscal 2014.

CAPITAL COMMITMENTS

Except as noted below, the Companies do not have any material commitments for capital assets as at March 31, 2014, 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 period ended March 31, 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 Companies, including members of the Companies' Board of Directors. The Company considers key management to be the members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer.

Key management personnel may also participate in the Company's stock-based compensation plans. See Note 13 to the unaudited condensed interim consolidated financial statements for the three and six months ended March 31, 2014, for details.

The remuneration of key management personnel during the three and six months ended March 31, 2014 and 2013 were as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2014	2013	**2014**	2013
	$	$	**$**	$
Wages and salaries	**134,453**	141,939	**259,804**	218,756
Statutory deductions	**14,954**	8,424	**18,221**	10,353
Stock-based compensation	**188,329**	158,097	**275,302**	256,247
	337,736	308,460	**553,327**	485,356

As at March 31, 2014, the outstanding balance payable to the Company's Board of Directors was $24,875.

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

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 amounts recorded as accrued liabilities, including the valuation of purchase price allocation, preferred shares, 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.

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 options is determined using the Black-Scholes option pricing with the following weighted average assumptions: (i) 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 125% (2013 – 92%), (iii) risk free interest rate of 1.01% (2013 – 1.13%), (iv) the average expected life of 1.5 (2013 – 1.79), and (v) the average share price on date of issuance of $0.85 (2013 - $1.09). 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 $0.55 (2013 - $0.64) per instrument.

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 these 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. The effective date for IFRS 9, which is to be applied retrospectively, has not yet been determined. 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 AIF dated February 19, 2014 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 March 31, 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 May 30, 2014:

	Number
Common shares outstanding	54,367,583
Issuable under options	3,421,197
Issuable under warrants	4,197,725
Total diluted commons shares	**61,986,505**

Features of the options are described in Note 13 to the unaudited condensed interim consolidated financial statements for period ended March 31, 2014.

SUBSEQUENT EVENTS

Exchange Offer for EEStor Shares

On February 18, 2014, the Company announced plans to offer all shareholders of EEStor who did not participate in the share exchange announced by ZENN on January 27, 2014, the opportunity to exchange their EEStor shares for shares of ZENN. The exchange offer was completed on May 8, 2014 and ZENN acquired 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. ZENN also acquired warrants of EEStor to acquire 18,099 shares of common stock 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 share of EEStor they otherwise would have received. Following the offer, ZENN owned 71.3% of the voting and equity shares of the Company on an as-converted basis.

Resignation of Directors and Appointment of New Directors

On April 28, 2014, the Company announced the resignation of Mr, Roger Hammock as a director from the Company and the Company's subsidiary EEStor. Mr. Ian Clifford has been appointed as a member of the EEStor Board.

On May 8, 2014, the Company announced the resignation of Mr. James Kofman as its Chairman, Interim Chief Executive Officer and as a director, along with the resignation of Mr, Allan Gregg as a director of the Company. The resignations were effective May 19, 2014. Mr. Stewart Somers was appointed and Chair of the Board of Directors and Mr. Ian Clifford was appointed as Chief Executive Officer. It was also announced the Mr. Jamin Patrick's consulting contract would not be extended.

On May 19, 2014, the Company announced the appointment of Mr. Kevin Spall as a director of the ZENN Board of Directors.

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.