



Zenn gets a jolt

Electric car maker's shares soar after partner hails test results as 'huge milestone' in groundbreaking battery it's developing

April 24, 2009

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ENERGY REPORTER

Shares in electric-car maker Zenn Motor Co. soared as high as 60 per cent yesterday after

strategic partner EESstor Inc. announced it had reached a "huge milestone" in the development of what many are calling a game-changing battery technology.

The next step, said Zenn chief executive Ian Clifford, is the delivery of a production-grade prototype that will be tested as a power source for a long-range, highway-speed electric car. "Our contract states we get the first one off the (production) line," he said.

Toronto-based Zenn is one of the first investors in secretive EESstor and holds a minority stake in the Austin, Tex.-based venture, which is trying to commercialize a cutting-edge ultracapacitor-based battery capable of storing immense amounts of energy at a fraction of the cost of traditional chemical batteries. EESstor disclosed yesterday it has received third-party



DAVID COOPER/TORONTO STAR FILE PHOTO

Zenn Motor, which makes a low-speed, short-range electric car plans to test a prototype of EESstor's cutting-edge battery technology to power a highway-capable, no-gasoline vehicle.

certification that materials used in its ultracapacitor have "met and/or exceeded" all claims of electrical storage capability, or "permittivity."

"EESstor feels this is a huge milestone which opens the advancement of key products and services in the electrical energy storage markets of today," the privately held company stated. "The automotive and renewable energy sectors are a few of the key markets that would benefit greatly."

EESstor CEO Dick Weir declined further comment. But Clifford said Zenn and other cars powered by the device – called an Electrical Energy Storage Unit, or EESU – will benefit from long range, quick recharging and longer storage life than competing batteries.

Zenn, which has worldwide exclusive rights to use the EESU in any vehicle under 1,400 kilograms, has so far paid EESstor \$1.3 million (U.S.) out of \$2.5 million it's expected to pay as product milestones are met.

Paradigm Capital analyst J. Marvin Wolff said Zenn has 30 days to study the permittivity data before deciding to proceed with a \$700,000 payment to EESstor. It can also exercise an option to increase its equity stake to 10.5 per cent. Delivery of an EESU triggers another \$500,000 instalment.

Wolff pointed out that the permittivity achieved was 21 per cent better than EESstor's expectations. "It means the EESU that EESstor will have will be a much higher performance 'battery' than previously thought," he said.

Zenn shares closed up nearly 50 per cent, or \$1.71 (Canadian), at \$5.16 on the TSX Venture Exchange yesterday. The stock has more than doubled in five trading days.

"The only way to publicly play this is through Zenn," said Wolff, who raised his one-year target price to \$10.90 from \$5.50 while maintaining a "speculative buy" rating.

On Tuesday, the Investment Industry Regulatory Organization of Canada asked Zenn to comment on the sudden share rise, which the company said it could not explain.

EESstor may be a stealthy operation but the claims around its energy-storage technology have been debated on the Internet, where blogs have emerged to track its progress. A California filmmaker is also doing an indie documentary on the "EESstor allure."

Some call EESstor a scheme designed to rip off investors, while others wonder why a company with such a world-changing technology would sign an exclusive agreement with a small maker of low-speed electric cars in

Toronto.

Even if EESstor's technology is sound, many still doubt the company will be able to mass produce its storage devices at the quality, safety level and cost required to have a major impact. If, however, EESstor is successful, its technology has the potential to radically transform the transportation, power delivery and mobile-electronics markets.

"Every step toward commercialization we see the interest heighten dramatically," said Clifford.

Zenn plans to use an EESstor storage unit to build a vehicle called the CityZenn that will have a top speed of 125 kilometres an hour and a range of up to 400 kilometres on a single charge. The technology could also be used to economically store massive amounts of clean energy from wind and solar facilities and then discharge the power when needed, putting renewable energy on equal footing with fossil-fuel and hydroelectric generation.

EESstor's credibility got a boost in January 2008 when U.S. military contractor Lockheed Martin announced an agreement that gave it worldwide exclusive rights to use and sell the EESU in military and homeland security applications.

Lockheed has even filed a patent for a lightweight soldier's battle vest that could contain an EESU and be used to recharge mobile electronics. Sources, however, say Lockheed has not invested in EESstor, despite rumours circulating the Internet.

"We're encouraged to see the progress EESstor is making on its product," said a Lockheed official who didn't want to be named but called the EESU a "game-changing" technology.

Boosting EESstor's credibility even further is an investment from venture capital firm Kleiner Perkins Caufield & Byers.