ZENN Motor Company Inc.

Annual Information Form

January 20, 2011

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Information Form ("AIF") contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of ZENN Motor Company Inc. to be materially different from those expressed or implied by such forward-looking statements. Risks and uncertainties that may face the Company include, but are not limited to: the EEStor energy storage technology, upon which the Company's plans and business strategy is substantially dependent, may not be successfully commercialized at all, or in a manner providing the features and benefits expected by EEStor while under development, or on a timely basis. Risks and uncertainties include but are not limited to other factors discussed in the section entitled "Description of the Business – Risk Factors" in this Annual Information Form. Although ZMC has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. ZMC does not undertake to update any forward-looking statements that are contained or incorporated by reference herein, except in accordance with applicable securities laws.

Information contained in this AIF relating to EEStor, Inc. (EEStor) or the energy storage technology being developed by EEStor has not been reviewed by EEStor and EEStor does not assume any responsibility for the accuracy or completeness of such information.

CORPORATE STRUCTURE

Name, Address and Incorporation

ZENN Motor Company Inc. (formerly Feel Good Cars Corporation and prior to that, MCL Capital Inc.) (the "Company", "ZMC", "FGC" or "MCL" as the context requires) was incorporated under the *Business Corporations Act* (Ontario) by Articles of Incorporation dated September 28, 2004. Pursuant to Articles of Amendment dated November 5, 2004, the articles of MCL were amended to remove the restrictions on transfer of the Company's shares set forth therein. Pursuant to Articles of Amendment dated January 30, 2006, MCL's name was changed from MCL Capital Inc. to Feel Good Cars Corporation and the authorized capital altered by consolidating all of the then issued and outstanding common shares of MCL on the basis of one new common share for every three then existing common shares (the "Consolidation"). All references to common shares in

this Annual Information Form are to post-Consolidation shares, unless otherwise noted.
Pursuant to Articles of Amendment dated June 14, 2007, the name Feel Good Cars Corporation was changed to ZENN Motor Company Inc.
The Company's head and registered office is located at 85 Scarsdale Road, Suite 100, Toronto, Ontario M3B 2R2.
ZENN Motor Company Inc. is a reporting issuer in the provinces of British Columbia, Alberta and Ontario and its common shares are listed on the TSX Venture Exchange under the trading symbol "ZNN".

Intercorporate Relationships

The Company has the following wholly owned subsidiaries, all incorporated under the laws of the Province of Ontario unless otherwise indicated:

- ZENN Motor Company Limited (formerly Feel Good Cars Inc.)
- ZENN Capital Inc.
- ZENN Véhicules Electriques Inc.
- ZENNergy Inc.
- 2186025 Ontario Inc.
- ZMC America, Inc. (a Delaware Corporation)

As used in this Annual Information Form, except as otherwise required by the context, reference to "ZMC" or the "Company" includes both ZENN Motor Company Inc. and its wholly owned subsidiaries. Any reference to "ZMCI" means ZENN Motor Company Inc. alone. Reference to "ZMCL" means ZENN Motor Company Limited alone. Reference to "ZCI" means ZENN Capital Inc. alone. Reference to "ZVEI" means ZENN Vehicules Electriques Inc. alone. Reference to "ZI", "218Inc" and "ZMC America" means ZENNergy Inc., 2186025 Ontario Inc. and ZMC America, Inc. respectively, alone.

GENERAL DEVELOPMENT OF THE BUSINESS

MCL Capital Inc. was incorporated as a capital pool company in accordance with the policies of the TSX Venture Exchange. From incorporation on September 28, 2004 to January 30, 2006, MCL did not carry on any active business other than seeking and the investigation of acquisition opportunities. On January 30, 2006, MCL completed its qualifying transaction, being the acquisition of all of the issued and outstanding shares of Feel Good Cars Inc. ("FGCI") (now ZENN Motor Company Limited), then a Canadian controlled private corporation.
Feel Good Cars Inc. was established in 2000 to produce reproductions of the Henny-Kilowatt Electric Car, a battery-powered version of the early 1960's Renault Dauphine. Several prototypes were developed and displayed at trade shows. The founders determined that a better long-term strategy for an electric car was to convert a host platform in current production rather than relying on the limited automotive aftermarket for used Dauphines. Microcar S.A.S. ("Microcar"), a manufacturer of small internal combustion cars in Europe, was sourced and a memorandum of understanding was signed on September 14, 2001.
FGCI's initial operations were focused on prototype and market development. The operations were funded by the founders, their family members, private investors and shares for work programs.
In August 2004, FGCI signed the initial Technology Agreement with EEStor whereby FGCI, upon payment of a total of $2,500,000 USD in milestone installments, would have specific exclusive

and non-exclusive rights to a high-energy-density ceramic ultra capacitor called an Electrical Energy Storage Unit (EESU) being developed by EEStor.

In September 2005, FGCI began development of its first production prototype low speed electric vehicle based on the Microcar platform and powered by conventional lead acid batteries. To fund the development, between September 2005 and January 2006, FGCI raised $777,000 in convertible debt.

In November 2005, MCL and FGCI and certain other parties entered into a qualifying transaction agreement ("Qualifying Transaction Agreement") providing for a proposed business combination between MCL and FGCI. Pursuant to the Qualifying Transaction Agreement, FGCI agreed to amalgamate with a wholly-owned subsidiary of MCL whereby shareholders of FGCI would receive 2.67 post-Consolidation common shares of MCL for each common share of FGCI held (the "Qualifying Transaction"). Under the Qualifying Transaction, warrants of FGCI would also be exchanged for warrants of MCL having the same terms and conditions, adjusted for the exchange ratio. The Qualifying Transaction was subject to a number of conditions, including the approval of the transaction by the shareholders of FGCI, the receipt of all regulatory approvals and FGCI completing a minimum financing of not less than $3,000,000.

In December 2005, FGCI completed a private placement of subscription receipts raising $5,000,000 which was held in escrow pending the completion of the Qualifying Transaction.

On January 30, 2006, MCL acquired 100% of the shares of FGCI concluding the Qualifying Transaction pursuant to the rules of the TSX Venture Exchange. Immediately prior to the closing of the Qualifying Transaction, the $5,000,000 of subscription receipts, the convertible debt of $777,000 and other specified debts were converted to share equity of FGCI and exchanged for shares of MCL under the Qualifying Transaction and the $5,000,000 of escrowed funds relating to the subscription receipts was released to the Company.

In August 2006, the Company raised $1,700,000 through a non-brokered private placement of 1,259,261 units at a price of $1.35 per unit. Each unit consisted of one common share and one-half of one common share warrant, with each whole warrant entitling the holder to purchase one additional common share until February 29, 2008 at a price of $1.55. All warrants were exercised prior to expiry.

In October 2006, the Company shipped its first production vehicles, nine months following the start of production engineering. At the date of the first shipments, the Company had signed 17 retailer locations in the United States.

In January 2007, the Company and EEStor entered into an amendment to the Technology Agreement whereby the Company acquired exclusive rights to the automotive retrofit market for 4-wheel vehicles that utilize internal combustion, electric, (or a combination thereof) drive systems and have been licensed for road use for more than one year and in consideration gave up its exclusivity to certain lighter-weight high performance sports cars that might otherwise have fallen under the agreement.

In February 2007, EEStor announced its third party verification of powder purity results, triggering a milestone payment of US$550,000 pursuant to the Technology Agreement, as amended.

In February 2007, the Company completed a short-form prospectus offering of common shares issuing and selling 3,773,585 common shares at $2.65 per share for gross proceeds of $10,000,000. A total of 188,679 broker warrants were issued whereby each warrant entitled the holder to purchase one common share of the Company for $2.65 prior to August 14, 2008, all of which were subsequently exercised.

In April 2007 the Company made an investment in the common shares of EEStor, purchasing approximately 3.8% of the equity of EEStor for US$2,500,000. Under the terms of the investment, the Company acquired a right to invest an additional amount up to US$5,000,000 within 30 days of the Company obtaining independent verification of permittivity tests meeting pre-defined specifications.

In May 2007, the Company completed a "bought deal" short-form prospectus offering of common shares issuing and selling 1,562,500 common shares at $3.20 per share for gross proceeds of $5,000,000. A total of 62,500 broker warrants were issued whereby each warrant entitled the holder to purchase one common share of the Company for $3.20 prior to November 24, 2008, none of which were subsequently exercised.

In December 2007, the Company announced the introduction of its second generation ZENN based on the Microcar platform. The second generation ZENN was characterized by an Alternating Current (AC) powertrain system that provided better range and performance and incorporated improved electronics and overall design.

In March 2008, the Company elaborated on development plans for future products including a 4-seater ZENN; the cityZENN, a "highway capable" electric vehicle; and ZENNergy technology and solutions for the automotive OEM market and retrofit market.

In April 2009, EEStor announced positive permittivity test results of the chemicals to be used in its manufacturing process, a key milestone in its development of its EESU.

In May 2008, the Company completed a short-form prospectus offering of common shares issuing and selling 4,060,000 common shares at $3.75 per share for gross proceeds of $15,225,000. A total of 162,400 broker warrants were issued whereby each warrant entitled the holder to purchase one common share of the Company for $3.75 prior to November 30, 2009, 152,826 of which were subsequently exercised.

In the second half of 2008, the automotive industry, among others, was severely affected by a tightening of global credit, ultimately resulting in the bankruptcy of a number of companies including GM and Chrysler. Demand for the Company's ZENN LSV dropped as the fundamentals for demand eroded.

In September 2008, the Company announced its participation in a three year pilot project sponsored by the Quebec government which allowed LSVs to be driven on provincial roads with a posted speed no greater than 50 km/h. Because the Quebec program was a trial of only three years, the Company decided to sell directly to customers from its Saint-Jerome location rather than establish a regional retailer network in Quebec.

In May 2009, the Company confirmed third party certification of permittivity results announced by EEStor in April. The third party verification triggered a US$700,000 milestone payment under the Technology Agreement between EEStor and the Company and permitted the Company to exercise the additional investment rights in EEStor.

In July 2009 the Company exercised its additional investment rights in EEStor making an investment of US$5,000,000. At the conclusion of the additional investment, the Company held, and still holds, an approximate 10.7% equity interest in EEStor.

In July 2009, the Company completed a short-form prospectus offering of common shares issuing and selling 2,650,000 common shares at $3.50 per share for gross proceeds of $9,275,000. A total of 106,000 broker warrants were issued whereby each warrant entitled the holder to purchase one common share of the Company for $3.50 prior to January 14, 2011. None of these broker warrants were exercised and all have expired as of the date of this AIF.

In September 2009, the Company announced that its primary market strategy for highway capable transportation solutions would be through a broad distribution of its ZENNergy™ technologies and solutions to original equipment manufacturers (OEMs), Tier 1 suppliers and conversion upfitters. As such, the previously announced cityZENN would not be brought to market as a commercial offering.

In December 2009, the Company further elaborated on its business strategy and announced that it would cease production of the ZENN LSV prior to April 30, 2010.
In March 2010, the Company announced an organizational restructuring to eliminate positions that were primarily associated with the manufacture, sale and marketing of its LSV offering.
In April 2010, the Company completed the closing of its St. Jerome, QC production facilities, selling off surplus LSV production assets and related inventory.

DESCRIPTION OF THE BUSINESS

General

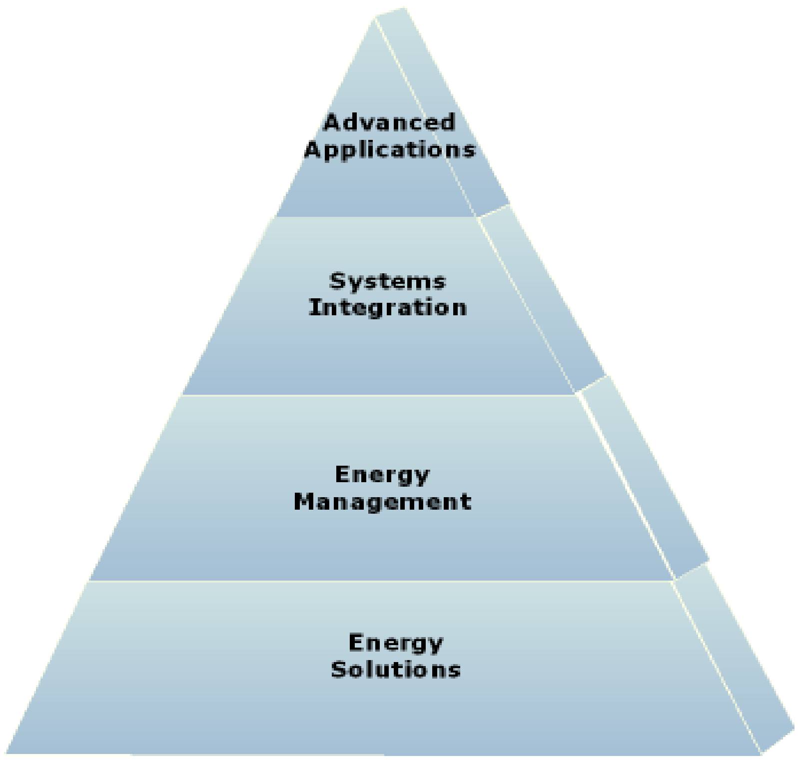
The Company's primary business has historically been the development of electric drivetrain systems, the integration of the systems with host vehicles and the distribution of the resultant electric vehicles. The Company's initial commercial offering was a fully-electric low-speed vehicle (LSV) called the ZENN™ ("ZENN") assembled using the Microcar MC-2 host vehicle as the platform with a drivetrain system comprised primarily of conventional and generally available electrical components using lead acid batteries. The Company's LSV was branded the ZENN, an acronym for "Zero Emission No Noise". The first production ZENNs were delivered to retailers in October 2006. The initial ZENN was powered by a 72 volt 7.5kW (10 hp) direct current (DC) motor. Subsequent editions of the ZENN provided enhanced performance through the use of alternating current (AC) motor and innovations such as optional sun roof and air conditioning.
The Company, through its wholly owned subsidiary ZENN Motor Company Limited, holds certain marketing rights upon payment of predetermined amounts, to an energy storage technology currently under development. If this technology is proven successful, it is expected to reduce the weight factor of energy storage by up to 90% when compared to conventional lead-acid batteries. Management believes that this technology, if proven successful, will allow the Company to develop commercially viable technologies and solutions that will enable its customers to offer electric powered vehicles with greater speed and range and at a lower total cost of ownership than is afforded today by conventional battery systems, opening the door to a broader and more rapid acceptance of electric motor vehicle transportation solutions.
In recent years, the automotive industry has embraced electric vehicles (EVs) with most OEMs having some form of EV offering in their product strategy. Despite the recent economic downturn, the automotive industry's EV strategies have shown significant and accelerating momentum.
In September 2009, the Company indicated its future business strategy would be in the development and marketing of ZENNergy technologies and solutions and the previously announced cityZENN™ highway capable EV would not be brought to market as a commercial product. Management of the Company believes the economics of partnering with OEMs to be superior to marketing an offering that would compete with the OEMs' strategies. Consistent with this strategy, in December 2009, the Company announced that the resources of the Company would be channelled to the development of the ZENNergy offering and that the Company would cease production of the ZENN LSV no later than April 30, 2010. The LSV production facility in Saint-Jerome, QC was closed during April 2010.
The Company's head office, and its only facility, is in Toronto Canada.

Current Products

Since the Company's exit from the LSV business and the closing of its production and sales facilities, the Company is not currently selling any products. ZMC is currently providing service support to a network of third-party service and repair facilities which provide warranty and non-warranty repairs on the vehicles previously sold by the Company.

Developing Products - Direction and Strategy

The primary focus for the Company moving forward is the implementation of its ZENNergy™ strategy. ZENNergy is a suite of technologies, components and services designed to capitalize on the unique characteristics of EEStor's capacitor-based energy storage technology, as well as other complementary technologies. Each ZENNergy solution will be specifically engineered to support the electric powertrain strategy of an automotive or speciality vehicle OEM or Tier 1 supplier or in the case of the retrofit strategy, a fleet owner or retrofit upfitting organizations. The chart below is a graphic representation of the ZENNergy strategy.



The foundation of the strategy is energy solutions, presently anticipated to be powered by EEStor's EESU and integrating value-add functionality and technologies being internally developed by the Company and/or which will be acquired externally through relationships with, or investments in, other organizations. The strategy focuses on solutions that optimize energy efficiency in order to maximize the available utility from a given amount of energy stored while minimizing total cost of ownership. Through its prior and on-going research, the Company has identified a number of complementary technologies that can potentially add further advantages and differentiation when utilizing EEStor's technology and the Company is working to incorporate these into its ZENNergy strategy. To secure its long-term interest in the unique solutions developed, ZMC is actively pursuing the establishment of a portfolio of protected intellectual property.

The Company's goal is to become a supplier to original equipment manufacturers (OEM), Tier 1 companies and conversion upfitters in those markets where it has a strategic advantage by virtue of its Technology Agreement with EEStor or other potential technology rights obtained from third-parties, and its own proprietary technologies, when and if developed. Management believes that this approach, rather than bringing another EV product to market, represents the quickest and broadest market penetration opportunity, leveraging the substantial manufacturing, distribution and service operations of the established OEMs and other Tier 1 companies.

Management has identified three distinct market opportunities for its ZENNergy strategy:

- New passenger vehicles,
- Specialty vehicles (golf carts, LSVs, Personal Mobility vehicles, utility vehicles and certain other 4 wheeled conveyances), and
- Used vehicle conversions.

The Company's success in each will be dependent upon its ability to capitalize on the expected unique capabilities of EEStor's and other technology and to effectively go to market with added services and solutions.

New Passenger Vehicles

The Company intends to leverage its expertise in designing, integrating and optimizing electric drivetrains by working with automotive OEMs and Tier 1 suppliers to develop custom ZENNergy solutions for sale in the OEM's and Tier 1's products.

The automotive industry around the world continues to invest in the development of electric powered vehicles. Almost all OEMs have incorporated hybrid technology in their current portfolio of offerings and there are now many offerings of plug-in hybrids and pure EVs, with new products being announced on a regular basis.

Government incentives in many jurisdictions continue to play a pivotal role in the electrification of transportation solutions, and they will help to accelerate the manufacturing and deployment of next generation energy storage and electric vehicles.

Management believes that one of the more significant barriers to the adoption rate of electric vehicles, whether they are pure EVs or plug-in electric EV solutions, is the energy storage medium cost (the "battery") for the requisite amount of on-board energy, which has a direct bearing on the size of vehicle, its design, ride characteristics and the resulting range and vehicle cost. Should the EEStor EESU meet the anticipated energy density, cost and performance characteristics, this major barrier to EV adoption would potentially be eliminated. In addition to energy storage, management also believes that the efficient use of the stored energy within the vehicle is a critical issue in EV development and adoption. As such, ZMC's ZENNergy strategy will focus heavily on efficient use of the electrical energy stored on board the vehicle.

To provide perspective on the Company's potential for the OEM market, according to *CSM Worldwide 1Q2009 Forecast,* in 2008 an estimated 48 million vehicles were manufactured that fell into the exclusive rights segment of the Company's Technology Agreement with EEStor. Despite recent economic and industry setbacks, the same data projects the number to grow to 60 million vehicles by 2015.

Management of the Company believes the new passenger vehicle segment represents the largest opportunity for future ZENNergy revenues. Compared to other market segments however, it will also require the most product development and testing prior to commercial introduction in significant volumes due to the highly regulated environment and automotive industry product development cycles.

Specialty Vehicles

The "Specialty Vehicles" opportunity is a distinct market from traditional automotive. Specialty vehicles include golf carts, low speed vehicles, personal mobility vehicles, utility vehicles and recreational vehicles, all being four-wheeled. Electric drivetrain technologies already exist within many of these products, and management views these markets as potentially benefitting from a better energy system, thus representing opportunities for a ZENNergy solution in specific instances. While this market is smaller than traditional automotive, it is still quite substantial, it has already broached the electrification of its products and it has significantly less regulatory and safety challenges to address, and so may represent an earlier revenue opportunity for the Company.

Management believes that its ZENNergy technology and solutions will provide significant value across numerous applications within the specialty vehicle category where a premium is placed on many of ZENNergy's expected differentiating benefits such as increased range, lighter energy storage, reduction in battery replacement cycles and better performance in extreme temperatures.

Used Vehicle Conversions

This market opportunity relates to the conversion of 4-wheeled vehicles from an internal combustion engine to an electric drive propulsion system. According to Plunkett Automobile Industry Almanac 2008, it was estimated that there were approximately 806 million cars and light trucks with a gross vehicle weight of less than 8,500 lbs in operation globally. While not all vehicles would be included in the Company's target market, management believes the numbers are significant enough to warrant development. Economies in this market can be achieved with higher volumes of the same conversion "kit". Accordingly, the initial focus would be on conversion opportunities with large commercial and government fleets. For example, the largest fleet in the world, the US Postal Service delivery trucks, includes approximately 140,000 Long Life Vehicles (LLVs), which are highly customized and are strong candidates for conversion. Many fleets have highly customized vehicles or accessories that would cost much more to replace than to convert.

The ZENNergy solution for this market could take many forms. For larger fleets, it is anticipated to be a custom system designed in conjunction with the fleet owner and could be fulfilled through a business arrangement with the component suppliers, be it a supply chain arrangement, joint venture, co-venture etc. The opportunity afforded by ZENNergy solutions is to improve the payback on a conversion, with lower cost and longer life. ZENNergy solutions in a converted vehicle are also expected to be lighter, smaller and more energy efficient than other solutions, which would allow more range and performance in the converted vehicle.

Sales and Marketing

The Company's focus on ZENNergy solutions necessitated a different strategy and business structure than the ZENN LSV approach in the past. The LSV sale was primarily channel driven with a heavy emphasis on promotional activities in a business to consumer environment. The sales and marketing approach for ZENNergy solutions is primarily business to business, with heavy emphasis on a customized solution designed to meet each OEM's requirements.

To lead its ZENNergy and other business development activities, the Company hired Mr. Patrick Kinsie in December 2009 for the position of Vice President, Business Development. Mr. Kinsie is an individual with over 20 years of senior sales and management experience with Tier 1 manufacturers in the automotive sector.

While sales strategies for ZENNergy continue to evolve, management of the Company is expecting that, because of the unique requirements expected for each customer, it will be a heavily technical sales process and proximity or ease of access to our customers' engineering centres is likely to be extremely important. The possibility of branch sales and engineering offices will be considered to satisfy this need.

The Company has traditionally stayed away from expensive advertising campaigns to achieve market awareness and this is not expected to change at this time. Marketing activities will be consistent with a "business to business" sales model and the plan includes the necessary tools to facilitate building a strong customer base.

Branding

The ZENN – "Zero Emission No Noise" – brand has achieved widespread recognition in the North American automotive and EV marketplace and has attracted attention in foreign markets such as Europe and Asia. The ZENN name clearly articulates the value proposition of the Company's mission.

The ZENN brand has been established with the tagline "enlightened mobility". "Enlightened mobility" is the belief that with a greater understanding of the environmental, financial and ownership benefits of electric vehicles, consumers will make more informed and intelligent purchasing decisions. The brand positioning encourages the consumer to consider a new transportation paradigm that they can ultimately feel good about.

The ZENN brand and acronym will continue to have value in the context of ZENNergy solutions. The Company is building on the strong existing brand awareness of ZENN, extending it to encompass the ZENNergy strategy. The ZENNergy brand will reflect a family of product, service and technology offerings to the marketplace.

Consistent with the Company's strategy to further develop the ZENNergy brand, the Company has developed a ZENNergy.com website to provide stakeholders with a better appreciation of its value proposition.

Operations

The Company's registered and head office is located in Toronto, ON with its head office located at 85 Scarsdale Road accommodating senior management, engineering, business development, service and marketing functions as well as the finance and administrative functions of the business.

LSV Related Operations

On December 7, 2009 the Company announced that it would discontinue the production and sale of its ZENN LSV before April 30, 2010. As part of that discontinuation, the Company exercised its right to terminate the Saint-Jerome sub-lease effective May 1, 2010, and that facility is now closed. The Company relocated sufficient inventory to a U.S. based third party fulfillment facility to support its service requirements.

ZENNergy Operations

ZENNergy is an offering under development by the Company's engineering team with support from third-party specialists on a contract basis as required. The engineering resources of the Company are located at the Company's head office in Toronto, Canada. At this time, the Company has no plans to become a manufacturer of components or systems but will consider outsourcing such manufacturing as required to support customer requirements. The Company will not become a manufacturer of EEStor's EESU product.

Key Suppliers

EEStor, Inc.

EEStor is expected to be a key supplier of EESUs if and when commercially available. The Company has certain exclusive and non-exclusive marketing rights pursuant to the Technology Agreement between the two companies (see "EEStor, Inc. Technology Agreement" below for details).

Other Suppliers

The Company continues to have supply relationships with Microcar and other parts manufacturers who are chosen for the quality, price and availability of their products, as the

Company fulfills its support commitments to ZENN owners through its retailer and service provider network. There are also a number of other suppliers actively involved in supporting the Company's ZENNergy development efforts and strategy.

Competition

Competition in the Company's ZENNergy strategy will come from a number of different groups, and while some will be strictly competitors, other groups may represent that unique situation in business where one's competitor might also be one's business partner.

The core of the ZENNergy strategy is the expected unique energy storage characteristics of the EEStor EESU. As such, competitors would include the traditional and emerging large format battery companies, particularly those with a Lithium-based battery solution. This group of companies would include the following and similar companies:

- Panasonic, Inc.
- EnerDel, Inc.
- A123 Systems, Inc.
- SAFT Group SA

Management also recognizes that competition on the energy storage level is not limited to battery technology. There has been extensive investment in fuel cell technologies and a fuel cell solution that can outperform the anticipated characteristics of an EESU would represent a serious competitive threat. Similarly, there may be new energy storage technologies under development that the Company's management may not be aware of, whose performance may be equal or superior to an EESU which would present a competitive threat.

In addition to competition at the energy storage level, the competitive threat exists that internal combustion engine technology, while still carbon based but with a dominant market share in automotive, can in the short term and with the right economic conditions, provide a more cost effective solution than an EESU.

Competition to the value add layer of the ZENNergy strategy may come from a group of companies that could in fact be suppliers to the Company. Drivetrain component manufacturers who supply ZMC can also compete with ZMC in the various market segments with their products powered by another energy storage solution. In this scenario, the Company's differentiation would be the potential storage characteristics of the EESU which management believes should provide a competitive advantage, together with proprietary technologies developed by the Company that provide enhanced energy efficiencies in the Company's ZENNergy offerings. Management is cognizant of the potential conflicts of interest and the importance of protecting its intellectual property and proprietary knowledge when working with these types of companies.

Internet Strategy

The Company's website, ZENNcars.com is used extensively as a promotional tool to disseminate news and information to the general public, ZENN enthusiasts, the media as well as prospective partners, customers and investors. The Company has developed a ZENNergy.com website for the purpose of establishing the ZENNergy brand and promoting its solutions to prospective business partners.

EEStor, Inc. Technology Agreement

EEStor, a privately held company based in Austin, Texas, is working to develop and manufacture a high-energy-density ceramic ultra capacitor called an Electrical Energy Storage Unit (EESU). An EESU is designed to act as a very high capacity battery. EEStor expects that its EESU will store over 10 times the energy of lead-acid batteries on a volume basis. EEStor also expects that its

EESU will have an up-front cost advantage relative to lithium-ion batteries in addition to greater longevity over traditional chemical based batteries.

The following table outlines the parameters of different battery technologies required to store 52.2 kWh[1] of electrical energy

	Anticipated with EEStor EESU	NiMH	LA(Gel)	Lithium-ion
Weight (kg)	135	780	1655	340
Volume (cubic centimeters)	73,625	293,015	705,380	93,360
Self-discharge rate	0.02%/30 days	5%/30 days	1%/30 days	1%/30 days
Life reduced with deep cycle use	None	High	Very High	High
Full charge/discharge cycle capabilities	Over one million cycles without degradation	Thousands of cycles	Hundreds of cycles	Thousands of cycles
Hazardous materials	None	Yes	Yes	Yes
Temperature effect on energy storage	Negligible	High	Very High	High

(Source: EEStor, Inc.).

[1] Size selected for illustrative purposes.

In August 2004, FGCI entered into an agreement with EEStor (with subsequent amendments dated November 26, 2004, September 30, 2005, August 8, 2006 and January 22, 2007) (collectively, the "EEStor Technology Agreement" or “Agreement” in this section) that provides certain exclusive and non-exclusive rights (“Rights”) to purchase and deploy EEStor’s EESU technology as follows (all of which apply to 4-wheeled vehicles using electricity as energy for the vehicle’s propulsion system):

- Exclusive Rights for new passenger vehicles with a curb weight of up to 1,400 kilograms, net of battery weight (this does not include vehicles that are classified as Sport Utility Vehicles, Pickups, Trucks, Trams, Buses and certain high-performance sports cars with electric drive systems of 100 continuous kilowatts or higher).
- Exclusive Rights for neighbourhood electric vehicles (NEV) and golf carts operating at a maximum speed of thirty (30) miles per hour.
- Exclusive Rights for utility vehicles having a maximum propulsion system of 15 continuous kilowatts or a curb weight without batteries of 1400 kilograms or less (this does not include vehicles that are classified as Sport Utility Vehicles, Pickups, Trucks, Trams, Buses and certain high-performance sports cars with electric drive systems of 100 continuous kilowatts or higher).
- Exclusive Rights for the aftermarket conversion of any four-wheeled vehicles currently using internal combustion, electricity or a combination thereof for the vehicle’s propulsion system, and which have been previously licensed for road use for greater than twelve (12) months.
- Non-exclusive Rights to purchase and deploy EEStor’s EESU in new passenger vehicles with a curb weight over 1,400 kilograms, net of battery weight (this does not include vehicles that are classified as Sport Utility Vehicles, Pickups, Trucks, Trams, and Buses).

The Company's marketing rights to EEStor's technologies expire when the last applicable EEStor patent expires.
As provided for in the Agreement, the Company's Rights are subject to making aggregate payments of US$2,500,000 as defined milestones are achieved by EEStor. To date, four milestone payments have been made totaling US$2,000,000 as follows:

- US$100,000 upon original execution of the Agreement,
- US$650,000 in February 2006 upon the Company raising a specified minimum amount of capital,
- US$550,000 in January 2007 upon third-party verification of EEStor meeting defined powder purity specifications, and
- US$700,000 in May 2009 upon third-party verification of EEStor's work product meeting or exceeding predefined permittivity standards.

The balance of US$500,000 payable under the Agreement is payable within 15 business days following third-party verification of a production quality EESU which meets the specifications outlined in the Agreement.
EEStor is developing its technology in a production-scale environment, not in a laboratory environment. The achievements that EEStor has made to-date, including the purification of chemicals, the homogeneity of the combined product and the permittivity results have been achieved and third-party verified off the production line. If the EEStor energy storage technology proves successful, management believes the technology would open the door to the mass commercialization of electric vehicles with speed and distance characteristics comparable to vehicles powered by conventional internal combustion engines.

Following is a list of other key EEStor-related announcements and public information:

- In January 2008, Lockheed Martin, one of the world's largest defense contractors, announced an agreement with EEStor. The agreement gives Lockheed exclusive international rights to use EEStor's energy system for military and homeland-security applications.
- In July 2008, EEStor issued a press release confirming the certification of additional key production milestones and enhancement of chemical purities.
- In September 2008, Light Electric Vehicles Company, an Oregon based company, announced it had concluded an agreement with EEStor for some of the two and three wheel vehicle market space.
- In December 2008, Lockheed Martin filed a patent with the World Intellectual Property Organization for a body armor garment with an electrical energy storage layer, referencing EEStor's EESU as a possible element in this patent.
- In April 2009, EEStor issued a press release announcing it had achieved specific permittivity levels on its work product. This announcement set in motion the Company's independent verification of the results for purposes of the milestone payment under the Technology Agreement and the option to make an additional investment in EEStor equity.

EEStor has been actively pursuing the protection of its intellectual property for several years. The following summarizes some of the related information that is currently in the public domain. Further details on these and other filings can generally be found through the US Patent and Trademark Office.

Issued Patents

7033406 (Filed Aril 12, 2001; Granted April 25, 2006)
The invention discloses an electrical-energy-storage unit (EESU) utilizing a high-permittivity ceramic powder to achieve high energy storage density.

7466536 (Filed August 13, 2004; Granted December 16, 2008)
Describes an electrical energy storage unit with different composition-modified ceramic powder, and its detailed processing method. This new composition indicates easier processing and more compact capacitor dimensions which could produce higher energy density per volume.

7595109 (Filed April 10, 2006; Granted September 29, 2009)
Builds on previous patent7033406 and expands on the definition of the EESU to include more variations of the powder and capacitor physical construction.

7648687 (Filed June 15, 2006; Granted January 19, 2010)
Describes a method of purifying barium nitrate aqueous solution, an important step in preparing the ceramic powders that go into the high-energy-density electrical energy storage unit.

7729881 (Filed August 14, 2006; Granted June 1, 2010)
Illustrates systems and methods of using the electrical energy storage unit (EESU) described in previous patents for utility grid power averaging, long term uninterruptible power supply, power line isolation from noise and transients and intelligent power transfer on demand.

Patents Pending
In addition to the above issued patents, EEStor has a number of pending US and international patents in the pipeline on the subjects of powder preparation and processing:
WO 2006/026136 (priority date 8/13/2004, published 3/9/2006)
International patent application for US patent 7466536.

US 2007/0148065 (filed 3/7/2006, published 6/28/2007)
WO 2007/103421 A2 (priority date 3/7/2006, published 9/13/2007)
Presents a wet-chemical method of preparing ceramic powder using chelate precursors. In recent correspondence regarding this application, a graph showing relative permittivity of greater than 65,000 across the temperature range of -20°C to 55°C was presented by EEStor representatives.

US 2008/0031796 (filed 8/2/2006, published 2/7/2008)
WO 2008/017047 A3 (priority date 8/2/2006, published 2/7/2008)
Presents another wet-chemical method of preparing ceramic powder using ammonium oxalate.

WO 2010/099517 (priority date 2/27/2009, published 9/2/2010)
Discloses apparatus for wet-chemical co-precipitation of oxide powders using reaction tube and hydrothermal processes. This application also suggests higher relative permittivity levels over a wide temperature range.

US 2010/0285316 and **US 2010/0285947** (both filed 2/27/2009, published 11/11/2010)
Build upon two previous patent applications and disclose methods to prepare ceramic powder.

WO 2010/118423 (priority date 4/10/2009, published 10/14/2010)
Discloses a wet-chemical method to form crystalline ceramic powder.

US 2010/0267546 (filed 4/10/2009, published 10/21/2010)
Discloses a method of hydrothermal processing for wet-chemical preparation of mixed metal oxide ceramic powders.

US 2010/0295900 A1 (filed 5/21/2009, published 11/25/2010)
Describes a mini-extrusion multi-layering technique for making ceramic/plastic capacitors with composition-modified Barium Titanate powders.

US 2010/0331169 (filed 06/25/2009, published 12/30/2010)
Describes a furnace assembly and the process to prepare a ceramic dielectric powder. Test data on high relative permittivity levels over a temperature range of -20°C to 55°C were presented.

EEStor was founded in 2001 by Richard Weir and Carl Nelson, former managers in disk storage design and manufacturing at IBM and Xerox. EEStor is a private company and does not publish its financial information. It has been publicly disclosed that EEStor has received US$3,000,000 in funding from Kleiner Perkins Caufield & Byers, a leading U.S. venture capital firm whose investments have included Google, Amazon.com and Palm.

EEStor, Inc. Equity Investment

In addition to the marketing rights pursuant to the Technology Agreement noted above, the Company holds an approximately 10.7% equity interest in EEStor having made two equity investments in the aggregate amount of US$7,500,000.

In April, 2007, the Company completed an initial investment in the common shares of EEStor acquiring an approximate 3.8% interest for a cash investment of US$2,500,000. The terms of the investment also provided the Company with a right, exercisable at its sole discretion, to invest at the same price per share for an additional amount of up to US$5,000,000 within 30 days of EEStor announcing its permittivity test results meeting the predetermined parameters and verified by an independent party. In May, 2009, the Company received independent verification of the permittivity results announced by EEStor and indicated its intention to exercise its additional investment rights. In July, the Company concluded the additional investment in EEStor in the amount of US$5,000,000. As a result of the two investments, the Company holds an approximate 10.7% interest in the share capital of EEStor.

EEStor is a privately held company and there is no ready market for the securities. Furthermore, the Company’s investment may be diluted should EEStor raise additional capital through share issuance. The Company has no further purchase rights or anti-dilutive covenants related to its investment.

Proprietary Rights

The Company has either registered or has applied for registration of the trademarks "ZENN", "ZENN – Zero Emission No Noise" and "ZENNergy" in strategic markets. The Company currently has no proprietary protection other than its trademarks and relies primarily on trade secret laws to establish its proprietary interest and maintain the confidentiality of its products.

The Company is in the practice of securing non-disclosure or confidentiality agreements with suppliers and contractors with which it shares sensitive information. Furthermore, the Company requires employees working in technology development to sign technology rights agreements whereby the results of their efforts while in the employment of the Company are owned by the Company.

Employees

As of the date hereof, the Company has 16 employees including executive, administrative and engineering staff. This has dropped from approximately 40 at the same time last year due to the discontinuation of the LSV business. None of the Company's personnel are represented by a labour union and the Company considers relations with its staff to be good. The Company will adjust its staffing complement in response to the demands and opportunities in the business.

Management Personnel

Following are the key management personnel of the Company:

Ian Clifford, Chief Executive Officer, Director

Mr. Clifford is CEO of ZMCI and founded ZENN Motor Company in 2001 (formerly as Feel Good Cars Inc.). Mr. Clifford has over twenty years experience as a marketing strategist and multimedia producer with experience starting and growing entrepreneurial companies. Mr. Clifford began his career as a photographer. Mentored by Ansel Adams, he quickly became one of Canada's leading corporate photographers. In 1995, Mr. Clifford co-founded digIT Interactive, a full-service Internet marketing company serving clients such as IBM, Cisco Systems, Hertz, Timex and Unilever. After selling digIT Interactive to Quebecor in 2000, he sought a more meaningful endeavour and founded Feel Good Cars. His vision is for ZENNergy technology and solutions to evolve into the 'Intel Inside' of the automotive industry: utilized by every vehicle manufacturer and enabling the affordable mass adoption of zero emission vehicles around the world. Mr. Clifford has been driving electric cars since 1995.

Brian Cott, President, Chief Operating Officer, Director

Mr. Cott became a Director of ZMCI in January 2006 and COO on February 1, 2006. He has over twenty-five years of entrepreneurial experience, primarily within the high technology sector. He was Founder and President of CallPro Canada Inc., a leading communications systems integrator which was sold to LGS Group Inc. in 1998. Mr. Cott has held a number of senior and general management positions with early, high-growth ventures. Mr. Cott holds a Bachelor of Arts degree in Business Administration from York University.

Larry Goldberg, Chief Financial Officer

Mr. Goldberg joined ZMCI in August, 2010 and brings a broad range of leadership experience in finance, operations and general management. Prior to joining ZMCI, Mr. Goldberg was Executive Vice President and Chief Financial Officer of Pinetree Capital Ltd. Mr. Goldberg's experience includes senior financial positions in both public and private technology and investment companies. Mr. Goldberg holds a Bachelor of Commerce degree from the University of Toronto and is a member of the Institute of Chartered Accountants of Ontario.

Michael Bergeron, Vice President Engineering

Mr. Bergeron joined ZMCL in June 2006 and brings over 20 years of engineering experience to the Company. Prior to joining ZENN Motor Company, Mr. Bergeron held the position of Director of Engineering for Global Electric Motorcars, a subsidiary of Daimler Chrysler and a competitive manufacturer of LSVs. Mr. Bergeron has extensive experience in the implementation of engineering and manufacturing infrastructures in the development and release of automotive platforms and products. Mr. Bergeron has an engineering degree from Technical University of Nova Scotia and an MBA from Wilfrid Laurier University.

Patrick Kinsie, Vice President, Business Development

Mr. Kinsie joined ZMCL in December 2009 and brings to the Company over twenty years of automotive business-to-business experience, most recently as Vice-President, Sales & Advanced Engineering with Stackpole Limited (now Gates Canada), a leading manufacturer of powertrain components, systems, and assemblies and a member of Tomkins plc. Mr. Kinsie holds a Mechanical Engineering degree from the University of Waterloo.

RISK FACTORS

An investment in ZENN Motor Company Inc. should be considered highly speculative due to the nature of the Company's activities and its present stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Investors should carefully consider the following risk factors:

EEStor's EESU Technology

The EEStor energy storage technology is still under development and there can be no assurance that it will be successfully commercialized at all or on a timely basis, that the expected benefits will be achieved or that the Company will be able to successfully incorporate this technology into its proposed products. Any failure by EEStor to successfully commercialize its EESU, or if successfully commercialized, any failure by the Company to incorporate the EEStor EESU into its proposed products, when required could result in such products having reduced efficacy and benefits to the consumer and could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Early Stage Company

The Company is in the early stages of development. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and evolving markets, such as the electric vehicle market. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market and technological changes, acceptance by consumers of the Company's products, and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in doing what is required to address these risks. The Company's operations are subject to all of the risks inherent in the establishment of a new business enterprise including delays, product and technology development setbacks, system problems and other unforeseen events that may have a material adverse effect on the Company.

As an early stage company, there is a limited operating history upon which to base an evaluation of the Company's business and prospects and there is no assurance that it will operate profitably or provide a return on investment in the future.

ZENNergy Solutions

The Company's business and financial plan relies heavily on the introduction of new products that are untested in the marketplace. There can be no assurance that the products will be accepted in the market or that sales projections will be achieved. Should the Company fail to attract one or more OEMs for the Company's planned ZENNergy solutions or, if contracted, the parties fail to collaboratively develop a viable product or fail to do so on a timely basis, the results of which could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Technology Risks

The Company's product development program is heavily dependent on the technical knowledge and expertise of a small number of key individuals. There can be no assurance that any ZENNergy technologies and solutions will not have some unforeseen technological issues which may have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

EEStor Technology Agreement

The Company's rights to purchase and resell the energy storage technology being developed by EEStor are subject to the Company making additional payments to EEStor on the achievement of certain technical milestones and otherwise complying with the terms of the Technology Agreement. Any failure of the Company to make the remaining milestone payment or to do so by the deadline dates required or to otherwise comply with the terms of the agreement, could result in the termination of the Company's rights and could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Investment in EEStor

EEStor is a private company and there are restrictions on the transferability of the shares acquired by the Company. The can be no assurance that the EEStor shares will not decrease in value below the amount paid by the Company or that the Company will be able to sell part or all of its investment, should it desire to do so. Furthermore, there can be no assurances that the Company’s equity percentage will not be diluted by the issuing of additional share equity by EEStor.

Reliance on EEStor

The Company will be heavily dependent on the supply of EESUs from EEStor for its ZENNergy strategy, when and if the EESU is commercially available. Interruption in the supply of EESUs, when developed, may have a material adverse effect on the ongoing operations of the Company, depending on a number of factors including, the Company's inventory on hand and the nature and duration of the interruption.

History of Losses

To date, the Company has a history of limited revenues and has generated losses from operations. The Company expects to continue to incur significant expenditures for general administrative activities, including engineering, sales and marketing and research and development activities. As a result of these costs, the Company must generate and sustain revenues and positive gross margins to achieve and sustain profitability. There can be no assurance that the Company's strategies will result in the Company becoming profitable or will generate positive cash flows.

Additional Financing Requirements

To date, the Company has relied primarily on equity financing to carry on its business. The exact amount of the Company's future capital requirements will depend on numerous factors, including, but not limited to, market acceptance of the Company's ZENNergy strategy, success and timing of EEStor’s product development, delays in the growth of the Company's customer base for ZENNergy solutions, sales and margins, requisite operating costs, failure or delays in launching products or in executing marketing programs, growth that is more rapid than anticipated or competitive pressures. The Company may also need to raise funds in order to acquire businesses, technologies or products or fund investments and other relationships the Company believes are strategic.

Any future financings may result in substantial dilution to the holdings of current shareholders of the Company and could have a negative impact on the market price of the common shares. There can be no assurance that additional financing, when required, will be available on commercially reasonable terms or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to fund its expansion, take advantage of strategic acquisitions or investment opportunities or respond to competitive pressures. Such inability to obtain additional financing when needed could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Economic Conditions

It cannot be predicted whether the current economic recovery will continue or whether economic conditions will deteriorate further before there is a full recovery. In addition, current and future conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy. Prevailing economic uncertainties render estimates of future income and expenditures very difficult to make. Adverse general economic conditions may negatively affect the sales of the Company’s products, increase the cost and decrease the availability of financing, increase the risk of loss on investments, or increase costs associated with manufacturing and distributing products.

Business and Marketing Plans

The Company's business and marketing plans are based on a number of assumptions which may or may not prove valid. The Company's business and financial plan relies heavily on products, including the EEStor EESU, which are still in development and new to the marketplace. Poor market acceptance of the Company's products or other unanticipated events may result in lower revenues than anticipated, making certain planned expenditures on advertising and promotion unachievable. The investment in time and money that is needed to realize the potential of the Company’s products is based on management’s experience but may not be sufficiently understood. Accordingly, any sales could occur more slowly than projected. Reduced sales may require the Company to seek additional funding over and above that anticipated in its business plan.

Government Regulation

The activities of the Company are subject to various federal, provincial, state and local laws governing production, safety standards, taxes, labour standards and occupational health, environmental and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the production or sale of the Company's future product offerings. Amendments to current laws and regulations or more stringent implementation thereof could also have a substantial adverse impact on the Company.

Dependence on Key Personnel; Need for Additional Personnel

The Company's success is dependent on the ability and experience of a relatively small number of key personnel, the loss of any of whom could have a significant adverse effect on the Company. Competition for personnel, particularly persons having relevant technical expertise, is intense, and there can be no assurance that the Company will retain existing personnel or hire additional, qualified personnel. The inability of the Company to retain and attract the necessary personnel or the loss of services of any of its key personnel could have a material adverse effect on the Company.

Protection of Intellectual Property

The Company's ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology developments and processes. The Company relies on a combination of trademark and trade secret laws as well as technical measures to establish and protect its proprietary rights. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's trademarks, trade names or other similar proprietary rights. In addition, there can be no assurance that third parties will not assert infringement claims against the Company.

Competition

The Company's products will compete against those of other companies, some of which may have greater financial, marketing and other resources than those of the Company. These competitors may be able to institute and sustain price wars, or imitate the features of the Company's products, or develop products providing greater benefits or market appeal than the Company's products, resulting in market dilution and reduced profit margins.

Dependence on Third Party Suppliers

The successful introduction of the Company's planned ZENNergy solutions will be dependent upon satisfactory arrangements for the supply, manufacture or assembly of components. In the event arrangements are either not concluded at all or not concluded on a timely basis, or if concluded, the suppliers experience production difficulties, delays or disruptions, the Company may not be able to obtain adequate supplies of components in a timely fashion or at acceptable quality, quantity, timing or prices. Any disruption in the supply, manufacture or assembly of the Company's products could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Insurance

The Company has secured product liability and other insurance to protect against certain risks in such amounts as it considers adequate. The nature of these risks is such that liabilities might exceed insurance policy limits which may have a material adverse effect on the Company. Furthermore, there is no assurance that the Company will be able to secure insurance in future years either at all or on commercially reasonable terms.

Management of Growth

Growth in the number of its employees and the scope of its operating and financial systems may result in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and future growth effectively, the Company will need to continue to improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company's revenues will keep pace with the increased levels of operating expenses associated with such growth.

DIVIDENDS

No dividends have been declared or paid by the Company since incorporation. The Board of the Company currently does not anticipate paying any dividends but intends to retain any earnings to finance the growth and development of the business of the Company. The directors of the Company will review this policy from time to time in the context of the Company’s earnings, financial condition and other relevant factors.

MARKET FOR SECURITIES

Trading Price and Volume

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange ("TSXV") under the symbol "ZNN". The following table sets forth information relating to the monthly trading of the common shares on the TSXV for the most recently completed fiscal year ended September 30, 2010.

Period	High (C$)	Low (C$)	Volume (# of Shares)
October 2009	5.04	3.87	2,632,700
November 2009	4.10	3.70	1,103,600
December 2009	4.42	3.55	3,156,000
January 2010	3.80	3.46	1,069,000
February 2010	3.54	2.54	1,045,500
March 2010	2.90	2.00	1,332,900
April 2010	2.84	2.18	1,094,900
May 2010	2.71	2.25	813,500
June 2010	2.30	1.50	1,223,800
July 2010	1.79	1.25	1,508,900
August 2010	2.48	1.43	1,134,600
September 2010	1.96	1.47	1,248,500

Trading Price and Volume

Other than the issuances of stock options disclosed in Note 14 to the audited consolidated financial statements of the Company for the year ended September 30, 2010, which note is hereby incorporated by reference herein, the Company did not issue or sell any securities that were not listed or quoted on a marketplace during the financial year ended September 30, 2010

DIRECTORS AND OFFICERS

Directors are elected at each annual meeting and hold office until the next annual meeting or until their successors are elected or appointed. The names and municipalities of residence of the directors and executive officers of the Company, the positions and offices held by them in the Company, and their respective principal occupations are as follows:

Name and Municipality of Residence	Position with Company	Period of Service as a Director	Principal Occupation for Last Five Years
Ian Clifford Toronto, Ontario	Chief Executive Officer & Director	Since January, 2006	CEO ZENN Motor Company Inc., (since January 2006) President and Chief Executive Officer, Feel Good Cars Inc. (prior to January 2006)
Brian Cott Toronto, Ontario	President, Chief Operating Officer & Director	Since January, 2006	President, COO and Director, ZENN Motor Company Inc. (since February 2006) Independent Management Consultant (prior to February 2006)
Larry Goldberg Toronto, Ontario	Chief Financial Officer	NA	Chief Financial Officer, ZENN Motor Company Inc. since August, 2010 Executive Vice President and Chief Financial Officer, Pinetree Capital Ltd. (a public investment company) (prior to August 2010)
Richard D. McGraw Toronto, Ontario (1), (2)	Chairman of the Board	Since September, 2004	President and CEO, Lochan Ora Group of Companies (private investment company) President, Greenrock Asset Management (since January 2008) (private investment company) Founder and Chair, Vitran Corporation, Inc. (logistics and trucking company)
Stewart Somers Toronto, Ontario (1), (2)	Director	Since January, 2006	Senior Vice President of Spergel & Associates Inc. (strategic planning consultants) President, Knightsford Capital Corporation (private investment company), prior to that Principal, Knightsford Capital
John Wallace, Rancho Santa Fe, California	Director	Since October, 2010	Chairman of Enova Systems (since August 2008). CEO of Xantrex Technology Inc. (2005 – 2008
Stephen Rodgers Holland Landing, Ontario (1), (2)	Director	Since June, 2007	President, Automotive Parts Manufacturers Association (since January 2010) (association representing suppliers to the automobile industry) President, GS Global Solutions (private consulting company) (2007 - 2009) VP, Marketing and Business Development, Magna International, (automobile parts manufacturer) (2003 to 2007)

The Company does not have an Executive Committee.
(1) Member of the Audit Committee.
(2) Member of the Compensation Committee

As the date of this report, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 3,729,594 common shares representing approximately 10.02% of the number of outstanding common shares of the Company.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that:

i) while that person was acting in such capacity was subject to a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, in effect for a period of more than 30 consecutive days; or

ii) was subject to a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer in the relevant corporation, in effect for a period of more than 30 consecutive days.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

i) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive director of any company that, while that person was acting in such capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

To the best of the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other companies and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the Business Corporations Act (Ontario) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full Board.

The Audit Committee's charter, a copy of which is attached at Schedule A hereto, sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Board.

The Audit Committee is comprised of the three non-management directors. The independent directors of the Company's Audit Committee must meet an additional "independence" test under National Instrument 52-110, "Audit Committees" in that their directors' fees are the only compensation they, or their firms, receive from the Company and that they are not affiliated with the Company. Messrs. McGraw, Somers and Rodgers are considered independent under the additional independence test.

Each member of the Audit Committee is also financially literate within the meaning of National Instrument 52-110.

Relevant Education and Experience

Set out below is a description of the education and experience of each of the Company's current audit committee members, which is relevant to the performance of his responsibilities as an audit committee member

Mr. Stewart Somers, Chairman of the Audit Committee, is Senior Vice President of Spergel & Associates Inc., a firm engaged in strategic planning services. He is a graduate of the University of Toronto with a degree in Economics and is an active member of the Institute of Chartered Accountants of Ontario.

Mr. Richard McGraw, Chairman of the Board of the Company, is independent pursuant to the definition of audit committee independence in National Instrument 52-110 as of January 30, 2009 when the prescribed three year period since he last served as an officer of the Company (predecessor MCL Capital Inc.) expired. Mr. McGraw has a Commerce degree from the University of British Columbia, sits on a number of boards and is Founder and Chairman of Vitran Inc., a TSX/NASDAQ listed company.

Mr. Stephen Rodgers, independent board member, is President of the Automotive Parts Manufacturers Association ("APMA"). The APMA represents Canadian automobile parts suppliers on a global basis. Mr. Rodgers is also President of GS Global Solutions, a company consulting to automotive suppliers on global growth. Mr. Rodgers also serves on the Board of Directors and is a member of the Audit Committee of Exco Technologies; is Chairman of the GreenARC Industry Working Group and past Chairman of the Automotive Parts Manufacturers Association (of Canada). Mr. Rodger's past experience also includes Magna International where he was VP Business Development (Corporate).

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

EXTERNAL AUDITOR SERVICE FEES

The following table summarizes the fees billed by the Company's external auditors for professional services rendered to us during fiscal years ended September 30, 2010 and 2009 for audit and non-audit related services:

Type of Work	Year Ended September 30, 2010	Year Ended September 30, 2009
Audit fees	$49,000	$133,340
Audit related fees	nil	nil
Tax advisory fees	$5,000	$5,150
All other fees	nil	nil
Total	$54,000	$138,490

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares. As at the date hereof, there were 37,215,263 common shares issued and outstanding.
Common shares carry equal rights in that the holders thereof participate equally, share for share, as to dividends declared by the Board of Directors of the Company out of funds legally available for the payment of such dividends. In the event of the liquidation, dissolution or winding-up of the Company, the holders of the common shares would be entitled, share for share, to receive on a pro rata basis all of the assets of the Company after payment of all of the Company's liabilities. The holders of the common shares are entitled to receive notice of any meetings of shareholders of the Company and are entitled to attend and vote at such meetings. Common shares carry one vote per share.

SHAREHOLDER RIGHTS PLAN

The Company's directors have adopted a shareholder rights plan (the "Rights Plan") which was confirmed by a vote of the shareholders at the March 25, 2009 Annual and Special Meeting of the Shareholders of the Company. The primary objectives of the Rights Plan are to ensure that, in the context of an unsolicited bid for control of the Company through an acquisition of its common shares, the following occurs: (i) the board of directors of the Company has sufficient time to explore and develop alternatives for maximizing shareholder value; (ii) there is adequate time for competing bids to emerge; (iii) shareholders have an equal opportunity to participate in such a bid; (iv) shareholders are provided with adequate time to properly assess the bid; and (v) the reduction in the pressure to tender which may be encountered by a shareholder in the course of a bid.

The Rights Plan creates a right that attaches to each present and subsequently issued common share. Until the separation time, which typically occurs at the time of an unsolicited take-over bid, whereby an offeror (including persons acting jointly or in concert with the offeror) acquires or attempts to acquire 20% or more of the Company's common shares, the rights are not separable from the common shares, are not exercisable and no separate rights certificates are issued. Each right entitles the holder, other than the unsolicited bidder, from and after the separation time and before the expiration time, to acquire common shares at a discount to the market price of the Company's common shares at that time.

Pursuant to the terms of the Rights Plan, any take-over bid that meets specified criteria intended to protect the interests of all shareholders is deemed to be a "Permitted Bid". A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws, must be made to all the Company's common shareholders other than the offeror and, in addition to certain other conditions, must remain open for a minimum of 60 days.

The Rights Plan has a term of three (3) years and then must be resubmitted to the shareholders for ratification.

ESCROWED SECURITIES

There are no shares of the Company held in escrow.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not a party to any material legal proceedings and are is aware of any such proceedings that are contemplated other than a wrongful dismissal claim made against the Company by a former employee which the Company believes to be without merit and which it intends to vigorously defend. During our financial year ended September 30, 2010: (i) no penalties or sanctions were imposed against us by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions were imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision; and (iii) the Company did not enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere herein or in a document incorporated by reference herein, none of the directors, executive officers or principal shareholders of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Company or any of its subsidiaries.

Interest of Experts

Collins Barrow Toronto, LLP, Chartered Accountants, Toronto, Ontario are the auditors for the Company and such firm has prepared an opinion with respect to the Company's financial statements as at and for the fiscal year ended September 30, 2010. Collins Barrow Toronto, LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Ontario.

Material Contracts

The Company's investment agreement with EEStor constitutes a material contract and has been filed and is publicly available at www.sedar.com. Other than this agreement, the Company has no material contracts entered into within the year ended September 30, 2010 or before such time that are still in effect, other than those entered into in the ordinary course of business.

Transfer Agent and Registrar

The transfer agent and registrar for the common shares of the Company is Equity Transfer & Trust Company, at its principal office in Toronto, Ontario.

Additional Information

Additional information, including regarding directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional information is also provided in the Company's financial statements and Management's Discussion & Analysis for its most recently completed financial year. Additional information relating to the Company may also be found on SEDAR at www.sedar.com.

SCHEDULE A - AUDIT COMMITTEE CHARTER

Pursuant to the General By-law of ZENN Motor Company Inc. (the "Company"), a committee of the directors to be known as the "Audit Committee" (hereinafter referred to as the "Committee") is hereby established.

The Committee shall be composed of a minimum of three directors, and the Committee and its membership shall meet all applicable legal, securities regulatory and stock exchange requirements relating to composition and the qualifications of its members as may be in effect from time to time, including, without limitation, requirements relating to the independence and financial literacy of its members.

The members of the Committee shall be appointed or reappointed at the meeting of the Board of Directors (the "Board") immediately following each Annual Meeting of the Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until his successor is appointed, unless he shall resign or be removed by the Board or he shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy.

The Board or, in the event of its failure to do so, the members of the Committee, shall appoint a Chairman from amongst their number. If the Chairman of the Committee is not present at any meeting of the Committee, the Chairman of the meeting shall be chosen by the Committee from among the members present. The Chairman presiding at any meeting of the Committee shall have a casting vote in case of a deadlock. The Committee shall also appoint a Secretary who need not be a director.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1) a quorum for meetings shall be not less than 50% of the members of the Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
2) the Committee shall meet at least quarterly, at the discretion of the Chairman or a majority of its members, as circumstances dictate; and
3) notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive notice of a meeting; and attendance of a member at a meeting is a waiver of notice of a meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. A meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chairman or Chief Executive Officer of the Company, by any member of the Committee, the external auditors or internal auditors. Notwithstanding the provisions of this paragraph, the Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee.

The Committee shall:

1) in connection with its advisory functions:
    a) review and recommend to the Board for approval, as applicable, the Company's annual report, annual information form, audited annual financial statements and related

management discussion and analysis, all financial statements in prospectuses and other offering memoranda and all financial statements required by regulatory authorities;

b) review with management and report to the Board, on an annual basis, on the financing plans and objectives of the Company;

c) review the internal audit procedures of the Company and advise the Board on auditing practices and procedures;

d) meet and communicate directly with the external auditors and internal auditors and report to the Board on such meetings and communications;

e) make recommendations to the Board with respect to the nomination and remuneration of external auditors to be appointed at each Annual Meeting of Shareholders;

f) receive periodically, reports on the nature and extent of compliance with requirements regarding statutory deductions and remittances, including deductions and remittances under the Income Tax Act (Canada), the Excise Tax Act (Canada) and the Employment Insurance Act (Canada), the nature and extent of non-compliance together with the reasons therefor, and the plan and timetable to correct deficiencies and report to the Board on the status of such matters;

2) in connection with the exercise of its powers:

g) be directly responsible for overseeing the work of the external auditors who shall be required by the Company to report directly to the Committee;

h) review and approve the interim reports of the Company and the financial statements and related management discussion and analysis contained therein and review and approve the press releases on quarterly and year end financial results;

i) review all prospectuses and documents which may be incorporated by reference into a prospectus, including without limitation, material change reports and the annual proxy circular;

j) review all foreign currency risks strategies presented by senior management and, in accordance with the authority delegated by the Board, approve those foreign currency risk strategies they consider appropriate;

k) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;

l) ensure that there are adequate procedures in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements (other than those disclosures required by this charter to be reviewed and/or approved by the Committee), and periodically assess the adequacy of these procedures;

m) review the audit plans of the internal and external auditors of the Company including the degree of coordination in those plans and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Any significant recommendations made by the auditors for the strengthening of internal controls will be reviewed;

n) review the internal control procedures to ensure compliance with applicable law and avoidance of conflicts of interest including without limitation, a review of policies and practice concerning regular examination of officers' expenses and perquisites, including the use of the Company's assets, and enquire as to the results of these examinations;

o) review the duties and responsibilities of internal audit staff, including controls, procedures and accounting practices of the Company with both external and internal auditors;

p) review management programs and policies regarding the adequacy and effectiveness of internal controls over the accounting and financial reporting systems within the Company and, in particular, the Committee will review management's response to the internal control recommendations of the internal and external auditors;

q) review management plans regarding any changes in accounting practices or policies and the financial impact thereof and review any major areas of management judgment and estimates that have a significant effect upon the financial statements;

r) review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements;

s) review the minutes of any audit committee meetings of subsidiaries of the Company and any significant issues and auditor recommendations concerning such subsidiaries;

t) pre-approve all non-audit related services to be provided by the external auditors and the fees related thereto (which pre-approval function may be delegated to one or more independent members provided that such pre-approved services are presented at the next meeting of the Committee) and assess the impact of such non-audit related services on the independence of the external auditors;

u) review the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of internal audit and other support provided by the Company to the external auditors and review all other non-audit fees of the auditors or other accounting firms;

v) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

3) have the authority to:

a) engage independent counsel and other advisors, consultants or experts as it determines necessary to carry out its duties at the expense of the Company and to set and pay the compensation for advisors employed by the audit committee;

b) communicate directly with the internal and external auditors; and

c) conduct any investigation appropriate to its responsibilities, and to request the external auditors as well as any officer of the Company, or outside counsel for the Company, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.