ZENN Motor Company Inc.
Management's Discussion and Analysis
For the Three Months and Six Months
Ended March 31, 2008

This "Management's Discussion and Analysis" ("MD&A") has been prepared as of May 29, 2008 and should be read in conjunction with the unaudited interim consolidated financial statements of ZENN Motor Company Inc. (the "Company") for the period ended March 31, 2008, the audited consolidated financial statements of the Company for the years ended September 30 2007 and 2006 and the Company's Annual Information Form (AIF) dated January 21, 2008. Unless specifically stated, all financial analysis, data and information set out in this MD&A are unaudited and expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below.

OVERVIEW OF BUSINESS

ZENN Motor Company's mission is to be the global leader in Zero Emission transportation solutions. The Company's primary business is the development, assembly and distribution of electric vehicles and drive trains. The Company currently assembles and distributes a low speed electric vehicle called the ZENN™ ("ZENN") - an acronym for "*Zero Emission, No Noise*". This class of vehicle is referred to by a number of descriptive names such as Neighbourhood Electric Vehicle (NEV) and Low Speed Vehicle (LSV). For most jurisdictions in North America, a key element in the definition of LSVs is a limit on its speed to 25 miles/40 km per hour and certain restrictions on the type and speed limit of roads on which it can travel.

In the United States, the Company's primary market at this time, the Federal Government through the National Highway Traffic Safety Administration (NHTSA) approved LSVs for mixed, on-road use over 10 years ago and since then over 40 States have enacted regulations to embrace the use of LSVs in their jurisdictions.

Canada has similar Federal legislation to NHTSA. In November of 2007 the Federal Department of Transportation issued the requisite National Safety Mark to the Company for the ZENN to allow the Company to sell its vehicles throughout the Provinces and Territories in Canada. However, on December 22, 2007, Transport Canada proposed changes to LSV regulations in Canada creating a more restrictive environment for their use and adoption. The public comment process for these proposed changes was completed by February 22, 2008. At this time, Transport Canada has not reported on the public comment process. It is unclear at this time what Transport Canada will finally adopt as the new regulation for LSVs in Canada.

The Company's business model for producing the ZENN involves purchasing prefabricated host vehicles or "gliders" and fitting the gilders with an integrated fully electric drive train using commercially available electric components such as batteries, electric motors and transmissions. The gliders are manufactured in Europe by Microcar S.A.S. ("Microcar") and supplied to the Company substantially pre-assembled. The Microcar glider is based on the internal combustion engine (ICE) powered Microcar MC2.

Although the LSV class of vehicle has existed for some time, in many respects the ZENN redefines the category by virtue of its fully-enclosed, car-like design and hence, it can effectively be used as an alternative mode of transportation in many areas where a door-less "golf cart like" LSV would not be appropriate. As such, there is a requirement by the Company to ensure the potential consumer market understands the "new LSV world" and why customers might consider the ZENN as part of their overall transportation solution. Increasing the consumers' level of awareness and understanding of LSVs in general, and the ZENN brand in particular, are key aspects of the Company's strategy.

Since shipping its first LSVs in October 2006, the Company has sold and shipped over 300 ZENN. In this time, the Company has identified distinct market characteristics specific to a given geographic region and the needs/interests of the buyer. Based upon independent market research and the Company's experience, the Company has increased its focus on selected geographic markets and consumer demographics. The Company's marketing initiatives are similarly being aligned to aggressively support the sales effort towards these target markets including the engagement of local publicists to help reach key media outlets and other influencers in the markets. Fleet sale opportunities, both in the public and private sectors, is another area where the Company is increasing its focus.

The Electric Vehicle industry continues to garner the attention of consumers, particularly in markets where the price of oil-based fuels is increasing and where environmental concerns such as air pollution and global warming have become mainstream issues. In the past year, many of the major mainstream automotive manufacturers have disclosed their engineering efforts and marketing intent with respect to an EV offering. In addition, some governments are providing incentives for alternative energy transportation solutions which influences demand in some markets. While still in its early stages as a mainstream mode of transportation, the EV industry continues to grow. The limiting factor to broader acceptance of EVs is the ability to store onboard power with current power storage technologies (batteries). The most common deep cycle battery is a lead acid power cell. Lithium power packs have greater power density but are significantly more expensive. Lithium is also a relatively scarce element and broad acceptance of large scale lithium power packs has the potential to create a price spiral due to availability.

The Company has certain worldwide exclusive and non-exclusive rights under an agreement (the "Technology Agreement") with respect to a power storage technology being developed by EEStor, Inc. ("EEStor"), a privately owned US based corporation, which if proven successful, is expected to provide for greater power density and recharging speed, extreme environment operation without degradation and a virtually indefinite life cycle when compared to currently available battery technologies. The benefits of such capabilities include greater range, highway speeds and shorter down time for recharging the on-board power source. The Company's rights under the Technology Agreement are contingent upon payments being made by the Company to EEStor when it provides third party verification of defined benchmarks in the development of the technology.

ZENN Motor Company Inc. is an early stage company (see "Risks and Uncertainties"). The Company commenced business operations in January 2006, when, operating as a Capital Pool Company under the name MCL Capital Inc., it acquire 100% of the shares of Feel Good Cars Inc. At that time, the Company began the engineering for commercial assembly and secured production facilities in Saint Jerome, Quebec. In October 2006 the Company shipped its first production models. In June 2007, the Company changed its name from Feel Good Cars Corporation to ZENN Motor Company Inc. and the name of its subsidiary from Feel Good Cars Inc. to ZENN Motor Company Limited. To date, the Company has no record of profitability.

HIGHLIGHTS AND SUMMARY

The following outlines the key events during the three months ended March 31, 2008 and up to the date of this MD&A in the development of the Company, the LSV market and the ZENN brand:

- In the three months ended March 31, 2008 and up to the date of this MD&A, the Company has continued to invest in the development of the Company's brand, markets and products. Gross revenue in the current quarter and current six months ended March 31, 2008 was $740,748 and $1,641,172 compared to the corresponding prior periods of $130,762 and $783,457. Net loss for the quarter was $1,837,940 or $0.06 per share compared with $1,475,331 or $0.06 per share in the prior corresponding period.
- The Company introduced the Ambassador Program in September, 2007 to accelerate the presence of the ZENN LSV in the retailers' markets. In the three months ended March 31, 2008, the Company received retailer orders for an additional 32 ZENN eligible for rebates under the Ambassador point-of-sale program, bringing the total unit sales under this program to 101(see "Ambassador Program" below).
- In December, 2007 the Company introduced the alternating current (AC) power train as an option on the 2007 ZENN. The AC power train provides for better range and performance and lower warranty and maintenance costs. The AC power train is required if the customer wishes to order the optional air conditioning system. The AC power train as an option on the 2007 ZENN began shipping in March 2008
- In February, 2008 the Company introduced the new 2008 model year ZENN. Unlike the previous year where the Company offered Basic and Luxe body styles, for 2008, the ZENN comes in one body style being a melding of the more popular features. In moving to one body style, the Company plans to simplify its product and inventory management, decision making for the end consumer and ground stock management for the retails. The 2008 ZENN is equipped with the AC power train. While offering one body style, there are still a number of options that can be purchased to differentiate and customize the individual ZENN such as a sunroof, air conditioning and radio options.
- In conjunction with the launch of the 2008 ZENN, the Company hosted a two day media event in New York City to demonstrate the practical urban applications of the ZENN LSV in one of the busiest cities in the world. Extensive media coverage was garnered from this event, including coverage in The Wall Street Journal, Autoweek and PC World, to name a few.
- At the Company's Annual and Special Meeting of shareholders (AGM) held in Toronto in March, 2008, management of the Company provided additional details to earlier product announcements and updated shareholders on the progress of future product development. Management's presentation expanded on four target market segments:
    - A highway capable ZENN;
    - LSV direction and plans;
    - ZENNergy™ drive trains; and
    - Retrofit market.

  The AGM was broadcasted live as a webcast and is available on-line through the Company's website at www.zenncars.com. The salient points of the presentation are set out under the heading "Product Development" in the "Discussion of Operations" section below
- In May, 2008, the Company presented its expanded plans at the Merriman Curhan Ford Clean Tech conference in New York City. This was the second year in a row that the Company

presented at this prestigious conference. The conference is an opportunity for the Company to create further awareness of its story to an extensive group of sophisticated institutional investors in the Clean Tech sector.

- On May 23, 2008, the Company signed an agency agreement and filed a short form prospectus in respect of a best efforts offering of common shares to raise up to $14,006,250 in gross proceeds. The agency agreement includes an over-allotment provision for a period of 30 days following the closing for the issue of shares for additional gross proceeds of up to $1,218,750. The transaction is expected to close on or about May 30, 2008. (See "Liquidity and Capital Resources" section below)

DISCUSSION OF OPERATING RESULTS

The following table summarizes the Company's operating results for the three months and six months ended March 31, 2008 and 2007.

	Three Months ended March 31		**Six Months ended March 31**	
	2008 **$**	2007 $	**2008** **$**	2007 $
Gross revenue	**740,748**	130,762	**1,641,172**	783,457
Provision for rebates	**94,026**	-	**299,594**	-
Net revenue	**646,722**	130,762	**1,341,578**	783,457
Cost of sales	**606,024**	122,767	**1,267,701**	762,471
Gross profit	**40,698**	7,995	**73,877**	20,986
Modification and engineering	**176,651**	151,965	**333,692**	267,690
General and administrative	**1,157,589**	998,195	**2,281,238**	1,811,713
Marketing and promotion	**506,046**	315,291	**979,966**	635,528
Foreign exchange (gain)	**(15,773)**	23,940	**(28,210)**	14,391
Amortization	**32,550**	21,603	**66,873**	39,113
Inventory write-down	**59,366**	6,483	**59,366**	45,684
Interest income	**37,791**	34,151	**103,446**	44,039
Net loss for the period	**1,837,940**	1,475,331	**3,515,602**	2,749,094
Loss per share	**(0.06)**	(0.06)	**(0.12)**	(0.12)

Revenue

The Company's primary source of revenue is through the sale of the ZENN LSV. Unit sales account for 99% (2007 – 100%) of the period's revenue with parts and merchandise sales representing the balance. Substantially all ZENN sales in the three months and six months ended March 31, 2008 have been into the US market with five sold in Canada in the current quarter. The units sold into Canada are not intended for use on public roads.

In the three months and six months ended March 31, 2008 gross revenue was $740,748 and $1,641,172 respectively (2007 - $130,762 and $783,457). The year over year increase reflects the broader acceptance of the Company's ZENN in the various markets. On a quarter over quarter basis, revenues declined from $900,424 in the quarter ended December 31, 2007 to $740,748 for the period ended March 31, 2008. Management attributes the decline to a number of factors, the most significant of which is seasonality. The automotive retail industry sees a quieter period that extends, in broad terms, from early December into February. Management's view is that this same trend applies to the NEV space. In addition, the Company experienced supply delays of approximately four weeks on some components in the new alternating current drive train. This delayed delivery of the 2007 AC and pushed out the launch of the 2008 ZENN.

In the three months and six months ended March 31, 2008 the Company shipped and recorded revenue on 54 and 123 units respectively (2007 - 8 units and 53 units respectively). The unshipped order backlog at March 31, 2008 was 25 units compared to 14 units at December 31, 2007. The two main reasons for orders to be backlogged are retailer credit and, to a lesser extent, parts availability.

The Company has identified California and Florida as key target markets. In September 2007, the Company initiated a focused marketing plan in California which is starting to show results. In the three months ended March 31, 2008 the California market represented 32% of unit orders.

A prerequisite for success in the Florida market is air conditioning in the enclosed ZENN. The Company only offers air conditioning as an option on the AC power train and with the delay of the introduction of the AC units, the Florida launch was pushed out to late in the quarter. Despite the delays, the Company signed three new retailers in the market and shipped 12 units.

In the three months ended March 31, 2008, 59% of the units sold (100% in the previous quarter) were eligible for the Ambassador Program point-of-sale rebate. As such, the Company has recorded a provision for rebate claims totaling $94,026 (six months to March 31, 2008 $299,594).

At March 31, 2008 the ZENN retailer network included 35 locations, an increase of 4 in the quarter. The increase is attributable to additional retailers in California and Florida.

Ambassador Program

On September 22, 2007, the Company launched its Ambassador Program to accelerate the visibility of ZENN units in the retailers' geographic markets. A limited number of units were designated as available for sale under the Ambassador program. As of March 31, 2008 the Company had sold 101 of the units and had orders for the remaining 12 units. Management is pleased with the results of the Ambassador Program. Having the ZENN in the marketplace as "rolling billboards" has delivered greater value for money than an equivalent amount of advertising dollars spread over the various market regions. Management may use a similar program in the future to launch new markets or to get sales density in existing strategic markets.

Cost of Sales

Cost of sales in the three months and six months ended March 31, 2008 was $606,024 and $1,267,701 respectively (2007 - $122,767 and 762,471 respectively).

Cost of sales includes the following cost components:

- The landed cost of the materials and parts sold;
- Allocation of direct labour and overhead based on standard costs;

- A reserve for warranty claims; and,
- Cost of shipping ZENNs to retailer locations.

A stronger Canadian dollar, while having a detrimental effect on US based revenue, has an offset in a lower cost of purchasing US priced components, so while the Company has seen a reduction in the yield on US dollar sales, there has been an increase in the yield in US dollar purchases. The US dollar components in a ZENN account for approximately 20% of the material component costs of a ZENN. The Euro accounts for approximately 66% of a ZENN's material costs but the Canadian dollar has not appreciated as strongly against the Euro. Consequently the Company's gross profit continues to be under pressure and the Company has in prior periods, written down inventories to reflect net realizable values.

In response to the change in relative currency exchange rates, management is looking for lower cost suppliers and suppliers where the Company can match currency exposures on the buy and sell side.

Modification and Engineering

	Three Months ended March 31		**Six Months ended March 31**	
	2008 **$**	2007 $	**2008** **$**	2007 $
Salaries and benefits	**157,015**	85,692	**286,887**	164,939
Engineering services	**10,907**	54,510	**37,773**	82,357
Other engineering costs	**37,524**	55,683	**55,611**	28,894
Deferred development costs	**(28,795)**	(43,920)	**(46,579)**	(8,500)
Total	**176,651**	151,965	**333,692**	267,690

Modification and Engineering includes all costs related to ongoing product support, new product development and technical and warranty support services for the retailers.

The Company has commenced a number of projects related to new offerings. Those costs that meet the criteria under Canadian generally accepted accounting principles will be deferred and amortized in relation to the expected life of the product developed. In the three months and six months ended March 31, 2008 the Company deferred $28,795 and $46,579 respectively (2007 - $43,920 and $8,500 respectively) in direct labour, overhead and third-party costs incurred in respect of new product development. Subsequent to the end of the quarter, the engineering department has added additional engineering staff and intends to add several more in the coming months. The engineering costs, including prototype materials costs and deferred development costs are expected to increase over the next several quarters as the Company steps up its new product development.

In December 2007, the Company announced the introduction of the AC (alternating current) power train. Test results have demonstrated that the AC power train is more power efficient, has greater hill climbing capabilities and is expected to have lower warranty and maintenance costs. Initial deliveries of the AC power train ZENN were in March 2008.

General and Administrative

	Three Months ended March 31		**Six Months ended March 31**	
	2008 **$**	2007 $	**2008** **$**	**2007** **$**
Salaries and benefits	**471,343**	426,948	**959,528**	806,462
Stock based compensation	**196,390**	93,321	**362,195**	171,037
Legal, audit, regulatory	**66,739**	60,587	**139,294**	98,771
Insurance	**91,605**	119,137	**182,726**	239,676
Occupancy costs	**104,342**	95,308	**189,558**	200,476
Other costs	**227,170**	202,894	**447,937**	295,291
Total	**1,157,589**	998,195	**2,281,238**	1,811,713

General and Administrative is a broad grouping of costs including, salaries and benefits not specifically captioned elsewhere, rent, telecommunications, insurance, corporate compliance, legal, audit etc. The broad category includes the head office facilities costs for Toronto and the unallocated production facilities in Saint Jerome. Expenses have been allocated from this category to both inventory and costs of sales for direct labour and overhead based on predetermined standards. Labour costs are allocated based on standard production rates and the standard cost per direct labour hour. Overhead is allocated based on standard costs and the practical production capacity of the facility. Since the facility is not operating at full production, there are unallocated costs that remain in this cost category. In the three months and six months ended March 31, 2008 the labour and production facility costs not allocated to inventory and cost of sales remaining in this category amounted to $368,961 and $659,934 respectively (2007 – $329,029 and $610,843 respectively).

This category of expense includes all stock based compensation expense for all departments related to the grant of options.

In the three months and six months ended March 31, 2008 included in "Other costs" are travel expenses of $26,343 and $87,041 respectively and public relations costs of $38,900 and 59,700 respectively.

Marketing and Promotion

	Three Months ended March 31		**Six Months ended March 31**	
	2008 **$**	2007 $	**2008** **$**	2007 $
Salaries and benefits	**283,103**	195,508	**551,957**	353,700
Retailer support, travel	**158,117**	91,492	**301,306**	190,834
Publicity, trade shows, other marketing	**64,766**	28,291	**126,703**	90,994
Total	**506,046**	315,291	**979,966**	635,528

Marketing efforts continue the promotion of the ZENN brand and the creation of sales support material for the retailer network. The marketing efforts are augmented by an aggressive publicity campaign involving trade shows, product placement in movies and TV shows and participation at "green" events. Retailer support costs include travel costs related to retailer development, trade show registrations and associated costs. Other marketing costs include the development of a retailer sales training program, state registration fees, marketing materials, web site costs and sales incentives costs.

Other marketing costs are expected to increase as the Company prepares to launch a Florida marketing campaign and as new sales incentives are introduced in the third quarter.

Product Development

At the Annual and Special Meeting of Shareholders held on March 28, 2008 management of the Company outlined the progress of development of new product offerings. Management has previously indicated that in anticipation of the EEStor technology being successfully commercialized, the Company is preparing plans to incorporate the technology in its ZENN product offerings. At the AGM, management elaborated on four product strategies that would capitalize on the EEStor EESU technology.

CityZENN

The cityZENN is planned to be a 100 percent electric, highway capable, fully certified car, meeting required occupant safety standards in the markets in which it will be sold. The development of the cityZENN would follow the same development concept as the ZENN LSV, whereby a host and OEM partner will be secured, the Company's engineering team will lead the "electrification" development. It is proposed that the cityZENN, incorporating the EEStor EESU if and when available, would include the following features:

- A 4-passenger, fully certified highway-capable passenger vehicle;
- A range of 400 km / 250 miles;
- Top speed of 125 kph / 80 mph;
- Rechargeable in less than five minutes;
- On-board energy that is not impacted by cold weather;
- Inherent safety features built into the EESU for punctures, crushing, submersion, etc.
- Zero emissions;
- No noise;
- Operating costs that are as little as 1/10th that of a traditional internal combustion engine vehicles.

The Company is in negotiations to secure a suitable rolling chassis to be integrated into the cityZENN product. Since the cityZENN will be designed to travel at highway speeds, it will need to meet homologation (certification) standards applicable to each target market. Homologation standards for a highway-capable passenger vehicle are much more stringent than for LSVs and vary from country to country. There are generally two broad homologation standards worldwide, that of the European Union (EU), with general adoption around the world other than in North America, and the North American standard, which is used in the United States and Canada. By meeting the EU standards, the cityZENN could be sold throughout one of the largest global markets for small-to-midsize cars.

The distribution plan for the cityZENN will likely vary between different markets. Generally, management of the Company intends to leverage established retailer networks through strategic partners to the greatest extent possible. The Company also expects to heavily leverage its OEM partner's existing retailer network to sell the cityZENN into the OEM partner's domestic (and possibly international) markets under a royalty agreement. The Company will also explore ways to utilize its current ZENN LSV retailers for the distribution of the cityZENN.

The cityZENN is planned to incorporate the EEStor EESU and is expected to be launched in late 2009. As the EEStor EESU remains in development, management of the Company has been evaluating the use of conventional battery technologies in the cityZENN. The cityZENN is currently being designed to work with both the EEStor EESU and current battery technologies. In the event the Company's cityZENN product needs to be equipped and marketed with a traditional battery pack, the result will be an electric vehicle with a reduced range (likely in the order of 100 – 150 Km), diminished performance in cold weather, longer charge times, a shorter battery life and increased weight and price, when compared to an EEStor EESU-equipped cityZENN. While the Company believes that a traditional battery powered cityZENN with reduced performance characteristics would still address an important and substantial market, it believes this would result in lower sales volumes when compared to a similar EEStor EESU-equipped cityZENN.

The Company expects to launch the cityZENN late in 2009.

Low Speed Vehicles

Low speed vehicles have, to date, been the core business of the Company with the introduction of the 2-passenger ZENN LSV. Management believes there is significant demand for a 4-seat LSV product offering and plans to introduce a 4-passenger vehicle built on a more robust platform for the 2009 model year (the "**4-passenger ZENN**").

The 4-passenger ZENN is being designed to support both conventional batteries (lead acid and lithium ion) and the EEStor EESU, which would be incorporated if commercialization is achieved. The 4-passenger ZENN is intended to initially be sold only in the United States through the Company's established retailer network with additional markets possible subject to local regulatory requirements.

If and when available and incorporated, the EEStor EESU is expected by management to provide the following additional benefits to the ZENN LSV:

- Increased range – projected to be 125+ miles per charge based upon a single 15 Kwh EESU;
- Increased on-board energy to power options such as air conditioning;
- Unaffected performance in the cold climate locales, making the ZENN a true four-season Vehicle;
- Much faster charging utilizing higher voltage and amperage outlets for fleet customers;
- A lifetime EESU battery pack that does not need to be replaced during the ownership of the Vehicle;
- Complete market differentiation, enabling the possibility of establishing a premium price (increased margins).

Management of the Company is currently seeking a suitable rolling chassis to develop a utility vehicle initially for the LSV market. Management believes that there is substantial demand for an LSV-utility vehicle, especially for fleet applications such as maintenance staff (at airports and universities, parks, etc) and inner city delivery vehicles. The LSV-utility vehicle will also be designed to support both conventional batteries and the EEStor EESU.

The Company expects to have a 4-passenger ZENN for the 2009 model year.

ZENNergy Drive trains - OEM

The Company intends to leverage its expertise in designing, integrating and optimizing electric drive trains by working with selected OEMs to develop a custom ZENNergy drive train solution for one or more of their best-selling small to midsize cars with the end product intended to carry the ZENN brand name. Many OEMs have a number of highway capable platforms that fit within the Company's EEStor EESU exclusivity of 1,400 kilograms curb weight. It is expected that for each project there will be a high degree of commonality between the drive train components deployed and the methodology used, leading to significant efficiencies for the Company from project to project. This product strategy is wholly dependent on the availability of the EEStor EESU.

The Company anticipates that introduction of the ZENNergy drive train and integration into an OEM will be a longer process, as far out as 2010.

ZENNergy Drivetrains - Retrofits/Conversions

The Company intends to initially focus on conversion opportunities with large, high-profile fleets. Management expects that this will allow the Company to utilize a focused sales campaign, a more efficient execution of the actual conversion work and subsequent support (by virtue of the concentration of vehicles), the development of a specific return on investment business case to support the customer approving the project and the establishment of government support as well.

The Company has completed its initial market research and has identified several suitable target markets (principally in the taxi and delivery services business sectors). The Company plans to continue with a more detailed sales campaign with specific customers to validate each opportunity and, once confirmed, commence the engineering work to develop the custom retrofit kit.

The marketing plan for the conversion/retrofits is to either have the specific fleet maintenance department facilitate the conversions themselves or to arrange to have the work performed through an accredited local shop. The Company does not intend to do the field work itself. Converted vehicles do not require new certification, which will allow the Company to access this market more quickly than through the introduction of an entirely new electric vehicle. This product strategy is also wholly dependent on the availability of the EEStor EESU. The Company has global exclusive license to integrate EEStor EESUs in any used 4 wheeled vehicle.

The Company expects to launch the conversion market in late 2009.

The common factor in all of these marketing strategies is that each is an application of the Company's expertise and value-add in the area of electric drive train development. The Company's strategic advantage in this space will be the integration of the EEStor Electric Energy Storage Unit (EESU) when available, in the product areas where the Company enjoys exclusive rights.

Quarterly Financial Information

The following table sets out the quarterly results for the past eight quarters:

Three months ended	Gross Revenue[(2)] $	Expenses [(1)] $	Loss in period $	Loss per share $
Jun. 30, 2006	nil	833,131	(813,761)	(0.04)
Sept. 30, 2006	nil	1,259,964	(1,240,323)	(0.06)
Dec. 31, 2006	652,695	1,295,702	(1,272,359)	(0.06)
Mar. 31, 2007	130,762	1,518,147	(1,476,147)	(0.06)
June 30, 2007	862,256	1,625,926	(1,565,926)	(0.06)
Sept. 30, 2007	678,749[(3)]	2,435,641	(2,661,710)	(0.09)
Dec. 31, 2007	900,424[(4)]	1,776,496	(1,677,662)	(0.06)
Mar. 31, 2008	740,748[(5)]	1,916,429	(1,837,940)	(0.06)

Notes:
(1) Expenses are operating expenses and do not include cost of sales.
(2) Interest income is not shown in this table.
(3) Before taking a provision of $300,000 for potential future rebate claims on sales made in year.
(4) Before taking a provision of $205,568 for potential rebate claims on sales in the quarter.
(5) Before taking a provision of $94,026 for potential rebate claims on sales in the quarter

In the three months ended March 31, 2006, the Company completed its Qualifying Transactions with the acquisition of Feel Good Cars Inc.

In the three months ended December 31, 2006, the Company shipped its first vehicles to retailers

Net sales in the three months ended March 31, 2007 reflect a combination of winter seasonal slowdown in sales of this type of vehicle and the fact that initial stocking orders had been fulfilled and the retailers were not able to start promoting the vehicles with customers.

In the three months ended September 30, 2007, the Company launched the Ambassador program to seed ZENN units into the market place. Under the program, retailers were eligible to claim the rebate on their unsold units at that time. In the fourth quarter, the Company recorded a provision of $300,000 for the future rebate claims as a reduction of gross revenue. Sales in the quarter were 47 units

In the three months ended December 31, 2007, the Company recorded a provision $205,560 in anticipation of future rebate claims against the vehicles sold in the period. Unit sales are recorded at full value and a provision is made immediately for the anticipated rebate claim as a reduction in revenue and a liability is set up pending the actual claim. Sales in the quarter were 69 units.

In the three months ended March 31, 2008, the Company began shipping the alternating current (AC) power train and air conditioning option late in the quarter and introduced the 2008 ZENN. Additional units of the 2007 ZENN were sold under the Ambassador Program and the Company recorded a provision for rebates of $94,026. Sales in the quarter were 54 units of which 32 were eligible for the Ambassador rebate.

Analysis of Use of Funds

On February 15, 2007, the Company completed a prospectus offering of common shares raising gross proceeds of $10,000,000. In the prospectus, the Company indicated that US$1,750,000 would be used for milestone payments related to the EEStor technology rights. As of the date of this MD&A a total of US$550,000 has been expended and US$1,200,000 remains outstanding pending the achievement of the defined milestones which is not in the control of the Company.

In the same prospectus, the Company indicated it would spend $500,000 in engineering design and development. The Company has fulfilled this stated use of proceeds and continues to invest in product refinement, modification and development. All other specified use of funds in the February 2007 prospectus offering have been expended.

Liquidity and Capital Resources

The Company's financial liquidity is currently supported by cash and cash equivalents. The Company is in the developmental stage and is not cash flow positive. The Company's ongoing ability to remain liquid will depend on a number of factors including timing and volume of sales, future profit margins, investments in non-cash working capital and its ability to raise capital to fund the development of the business. (see "Risks and Uncertainties").

In the three months ended March 31, 2008 and up to the date of this MD&A, the Company has incurred greater costs and demands on its cash resources as it increased its activity levels. If the Company is to continue the development of the business, its investment in growth and positioning for new products, it will require additional funds.

Short Form Prospectus Offering

On May 23, 2008, the Company entered into an agency agreement with Paradigm Capital Inc. and Canaccord Capital Corporation and filed a final short form prospectus for a best efforts offering of common shares. Under the terms of the agreement, the Company will offer up to 3,735,000 common shares at a price of $3.75 for gross proceeds of up to $14,006,250. The agents have also been granted an over-allotment option that extends for a period of 30 days from the closing for an additional 325,000 shares for additional gross proceeds of $1,218,750.

Under the agency agreement, the agents will receive a cash compensation of 5.5% of the gross proceeds and options equal to 4% of the number of shares issued. Each of the options entitles the agent to purchase one common share at $3.75 within 18 months of the closing date, after which time the option expires. The maximum number of agents' options issuable would be 164,200. In addition to the agents' compensation, other cash costs are expected to be approximately $250,000.

The closing is expected to be on or about May 30, 2008.

The Company intends to use the net proceeds of the offering to fund working capital and general corporate purposes including engineering and new product development, market development for new and existing offerings, strategic partnerships, joint ventures, acquisitions or investments should the appropriate opportunity arise.

Equity Investment in EEStor, Inc.

On April 30, 2007, the Company completed an equity investment in EEStor. The Company acquired a 3.8% interest for a cash investment of US$2,500,000 plus costs. The terms of the investment provide 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 third party. The Company's maximum additional investment is subject to reduction depending on the investment participation of other EEStor shareholders in the raise. Should the other EEStor shareholders exercise their maximum investment, the Company's additional investment would be limited to US$2,000,000. If the Company elects to maximize its additional investment and subject to the investment decisions of the other EEStor investors, the Company's total minimum and maximum equity interest in EEStor would be in the range of approximately 6.2% to 10.5%.

Capital Commitments

The Company has a commitment with respect to its investment in the EEStor technology rights contingent on EEStor achieving specific milestones. As at March 31, 2008 and the date hereof, there are two remaining milestone payments due to EEStor totaling US$1,200,000. A milestone payment of US$700,000 is due upon third party verification of permittivity and a final payment of US$500,000 is due upon delivery by EEStor of a production quality electrical energy storage unit (EESU). The timing of these payments is dependent on EEStor's presenting deliverables in accordance with the EEStor Technology Agreement and accordingly is not in the control of the Company.

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet transactions.

Related Party Transactions

Consulting Services of a Director

During the three months and six months ended March 31 2008 a director provided project-based consulting services to the Company and was paid fees totaling $nil and $28,136.

Critical Accounting Estimates and Policies

The Company's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management has made certain estimates and assumptions that affect the reported amount of assets and liabilities. The most significant assumptions made by management in the preparation of these financial statements relate to inventory valuation, fixed assets and the fair value of stock based payments.

The consolidated financial statements of the Company include the statements of the Company and its wholly- owned subsidiaries ZENN Motor Company Limited and ZENN Capital Inc.

Inventory is valued at the lower of cost and net realizable value.

Amortization of investments in property, plant and equipment is calculated at various rates intended to reflect the useful life of the asset.

The fair value of stock based compensation and payments is calculated using the Black Scholes option pricing model. For stock based payments that vest on a calendar or periodic basis, such as director or management options, the Company accrues the fair value cost during the vesting period. The Company charges the fair value of all other stock based payments at the time of vesting.

Changes in Accounting Policies

In the three months and six months ended March 31, 2008 there were neither changes in nor adoption of new accounting policies.

Risks and Uncertainties

An investment in the Company should be considered highly speculative due to the nature of the Company's activities and its current 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 contained herein relating to the Company.

This section should be read in conjunction with and is qualified by the "Risk Factors" section of the Company's Annual Information Form ("AIF") dated January 21, 2008 available on SEDAR at www.sedar.com. Some of the risks are highlighted below:

History of Losses

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

Exchange Rate Fluctuations

The Company transacts substantially all of its sales in US dollars and purchases production inventory in Euros, US dollars and Canadian dollars. The Company does not currently have any hedging programs in place to manage the potential exposure to fluctuations in the Euro/US/Canadian dollar exchange rates. Fluctuations in the Euro/Canadian dollar exchange rate and the US/Canadian dollar exchange rate have had a negative impact on the Company's revenue and profitability in the past year and there is no assurance that the exchange rates will reverse or that the Company will be able to find alternative or lesser cost suppliers.

Maintenance of Rights under Microcar Supply Agreement

Pursuant to the terms of the July 2005 supply agreement for host vehicles entered into with Microcar, the Company has established annual minimum purchase requirements (MPR). In 2007, the MPR was waived by Microcar and in exchange, the Company agreed to a deferral of certain purchase discounts until September 2008. The present outlook for 2008 is that the Company will not meet its current MPR. The Company has been in discussions with Microcar regarding a waiver of the MPR and while no formal waiver has been granted, Microcar has indicated there should not be any problems in this regard. The minimum annual purchase requirement increases significantly in each subsequent year of the agreement.

While the Company believes its working relationship with Microcar to be good, any failure by the Company to meet its minimum purchase requirement in any year, if acted upon by Microcar, could result in the termination of the supply agreement. Termination of the supply agreement, for any reason, or the interruption or delay in the supply of host vehicles by Microcar to the Company could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

EEStor Technology

The Company's rights to the power storage technology being developed by EEStor are subject to the Company making additional payments to EEStor on its achievement of certain technical milestones. Any failure of the Company to make the milestone payments or to do so by the deadline dates required 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.

The EEStor power storage technology is still under development and there can be no assurance that it will be successfully commercialized or that the Company will be able to successfully incorporate this technology into its products.

EEStor Equity Investment

EEStor, Inc. is a private corporation. There is no ready market to determine the value of its shares or to provide liquidity. There 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. There can also be no assurance that the Company will exercise part or all of its investment option to purchase up to an additional US$5,000,000 of shares of EEStor. Furthermore, EEStor may at any time, secure additional financing from other sources diluting the Company's equity interest.

Additional Disclosure for Venture Issuers Without Significant Revenue

As of March 31, 2008, the Company has deferred development costs in the amount of $46,597 (2007 - $43,920). Research and development costs and general and administration costs for the past two years are analyzed in the Section "Discussion of Operating Results" under the headings "Modification and Engineering" and "General and Administrative".

Subsequent Events

On May 23, 2008, the Company filed a short form prospectus for the offering of up to 3,735,000 common shares for gross proceeds of up to $14,006,250. (See "Liquidity and Capital Resources – Short Form Prospectus Offering" section).

Outstanding Shares

The following table outlines the outstanding equity and convertible securities as of May 29, 2008:

Designation of Security	Expiry	Exercise Price	Number or Principal Amount Outstanding	If Convertible, Exercisable or Exchangeable for Common Shares, the Maximum Number of Common Shares Issuable
Common Shares	N/A	N/A	29,380,537	N/A
Options	February 5, 2009 to November 22, 2012	$0.45 to $5.03[(1)]	1,954,866	1,954,866
Performance Warrants	March 31, 2009	$0.75	531,468	531,468
February 2007 Agent Warrants	August 14, 2008	$2.65	188,679	188,679
May 2007 Agent Warrants	November 24, 2008	$3.20	62,500	62,500
TOTAL (maximum number of common shares, fully-diluted)				32,118,050

Features of the Options and Warrants are described in the Notes to the September 30, 2007 audited Consolidated Financial Statements.

(1) The weighted average exercise price is $2.14.

Pro Forma Outstanding Shares

The following table represents the outstanding securities on a pro forma basis assuming the completion of and the maximum number of shares is issued with respect to the May 23, 2008 agency agreement and short form prospectus offering:

Designation of Security	Expiry	Exercise Price	Number or Principal Amount Outstanding	If Convertible, Exercisable or Exchangeable for Common Shares, the Maximum Number of Common Shares Issuable
Common Shares (pro forma)	N/A	N/A	33,115,537	N/A
Over-allotment Option (pro forma)		$3.75	325,000	325,000
Options	February 5, 2009 to November 22, 2012	$0.45 to $5.03	1,954,866	1,954,866
Performance Warrants	March 31, 2009	$0.75	531,468	531,468
February 2007 Agent Warrants	August 14, 2008	$2.65	188,679	188,679
May 2007 Agent Warrants	November 24, 2008	$3.20	62,500	62,500
May 2008 Agent Warrants (pro forma)	November 2009	$3.75	164,200	164,200
PRO FORMA TOTAL (maximum number of common shares, fully-diluted)				36,342,250

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form dated January 21, 2008, can be found on SEDAR at www.sedar.com.