UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 40-F

o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010 **Commission File Number 000-53543**

Ballard Power Systems Inc.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name in English (if applicable))

CANADA
(Province or other jurisdiction of incorporation or organization)

3620
(Primary Standard Industrial Classification Code Number (if applicable))

Not applicable
(I.R.S. Employer Identification Number (if applicable))

9000 Glenlyon Parkway
Burnaby, British Columbia V5J 5J8
(604) 454-0900
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 8th Avenue
New York, New York 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares	**NASDAQ Global Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable

For annual reports, indicate by check mark the information filed with this Form:

x Annual information form **x** Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

84,148,465 Common Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the

preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes **x** No **o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files.)

Yes **o** No **o**

The Annual Report on Form 40-F shall be incorporated by reference into or as an exhibit to, as applicable, the Registrant's Registration Statement under the Securities Act of 1933: Form S-8 (File No. 333-156553 and 333-161807).

Principal Documents

The following documents that are filed as exhibits to this annual report are incorporated by reference herein:

- the Company's Annual Information Form for the year ended December 31, 2010;
- the Company's Audited Consolidated Financial Statements for the years ended December 31, 2010 and 2009; and
- the Company's Management Discussion and Analysis for the year ended December 31, 2010.

Disclosure Controls and Procedures

The required disclosure is included in "Management's Discussion and Analysis," which is incorporated herein by reference to Exhibit 99. 2.

Management's Annual Report on Internal Control Over Financial Reporting

The required disclosure is included in "Management's Discussion and Analysis," which is incorporated herein by reference to Exhibit 99. 2.

The Registrant's independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of the Registrant's internal control over financial reporting. KPMG LLP's attestation is located in the Report of Independent Registered Public Accounting Firm, which is incorporated herein by reference to Exhibit 99.1.

Audit Committee and Audit Committee Financial Expert

The required disclosure is included in the Annual Information Form, under the heading "Board Committees - Audit Committee," which is incorporated herein by reference to Exhibit 99.3.

Code of Ethics

The Registrant has adopted a code of ethics that applies to all members of its Board of Directors, as well as its officers and employees. A copy of the code of ethics is filed as Exhibit 99.4, has been posted on the Registrant's Internet website at www.ballard.com, and is available in print to any person without charge, upon written request to the corporate secretary of the Registrant. The Company amended its code of ethics on September 21, 2010. The code of ethics was amended to (i) prohibit improper payments to government officials; (ii) expand the procedures for reporting wrongdoing or serious misconduct to include making an anonymous report via Ballard's web reporting site; and (iii) make certain other administrative changes. No waivers of the code of ethics have been granted to any principal officer of the Registrant or any person performing similar functions.

Principal Accountant Fees and Services

The required disclosure is included in the Annual Information Form, under the heading "Board Committees - Audit Committee," which is incorporated herein by reference to Exhibit 99.3

Off-Balance Sheet Arrangements

The required disclosure is included in “Management’s Discussion and Analysis,” which is incorporated herein by reference to Exhibit 99. 2.

Tabular Disclosure of Contractual Obligations

The required disclosure is included in “Management’s Discussion and Analysis,” which is incorporated herein by reference to Exhibit 99. 2.

NASDAQ Corporate Governance

Pursuant to Rule 5615(a)(3) of the Nasdaq Stock Market, Inc. Marketplace Rules, the Registrant relies on an exemption from Rule 5620(c) of the Marketplace Rules, requiring that each Nasdaq-quoted company have in place a minimum quorum requirement for shareholder meetings of 33 1/3% of the outstanding shares of the company's voting common stock. The Company's by-laws currently provide that a quorum is met if holders of at least 5% of the votes eligible to be cast at a meeting are present or represented by proxy at a shareholder meeting. At the Company's 2010 Annual General Meeting of Shareholders, holders of 48.39% of the common shares were present or represented by proxy at the meeting.

Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Registrant has previously filed with the Commission an Appointment of Agent for Service of Process and Undertaking on Form F-X.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Registrant: **Ballard Power Systems Inc.**

By (Signature and Title) /s/ John W. Sheridan
John W. Sheridan
President and Chief Executive Officer

Date: March 9, 2011

EXHIBIT LIST

Exhibit	Description
99.1	Ballard Power Systems Inc. Consolidated Financial Statements for the years ended December 31, 2010 and 2009
99.2	Ballard Power Systems Inc. Management's Discussion and Analysis for the year ended December 31, 2010
99.3	Annual Information Form for Ballard Power Systems Inc. dated as of March 9 , 2011
99.4	Code of Ethics
99.5	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Consent of KPMG LLP

EXHIBIT 99.1

Consolidated Financial Statements
(Expressed in U.S. dollars)

BALLARD POWER SYSTEMS INC.

Years ended December 31, 2010 and 2009

MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements and Report on Internal Control over Financial Reporting

The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The integrity and objectivity of the data in these consolidated financial statements are management's responsibility. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with GAAP. Internal control over financial reporting may not prevent or detect fraud or misstatements because of limitations inherent in any system of internal control. Management has assessed the effectiveness of the Corporation's internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2010. In addition, management maintains disclosure controls and procedures to provide reasonable assurance that material information is communicated to management and appropriately disclosed. Some of the assets and liabilities include amounts, which are based on estimates and judgments, as their final determination is dependent on future events.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee, which consists of five directors who are independent and not involved in the daily operations of the Corporation. The Audit Committee meets on a regular basis with management and the external and internal auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is responsible for appointing the external auditors (subject to shareholder approval), and reviewing and approving all financial disclosure contained in our public documents and related party transactions.

The external auditors, KPMG LLP, have audited the financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of the internal controls over financial reporting as of December 31, 2010. The external auditors have full access to management and the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

"JOHN SHERIDAN"	"TONY GUGLIELMIN"
JOHN SHERIDAN President and Chief Executive Officer March 8, 2011	TONY GUGLIELMIN Vice President and Chief Financial Officer March 8, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Ballard Power Systems Inc.

We have audited the accompanying consolidated balance sheets of Ballard Power Systems Inc. as at December 31, 2010 and December 31, 2009 and the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2010 in conformity with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 8, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Chartered Accounts

Vancouver, Canada
March 8, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Ballard Power Systems Inc.

We have audited Ballard Power Systems Inc's ("the Company") internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the section entitled "Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting" und the heading "Internal control over financial reporting" included in Management Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company acquired Dantherm Power A/S ("Dantherm") during 2010, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, Dantherm's internal control over financial reporting associated with total assets of $6,527,000 and total revenue of $1,618,000 included in the consolidated financial statements of the Company as of and for the year ended December 31, 2010. Our audit of internal control over financial reporting also excluded the evaluation of the internal control over financial reporting of Dantherm.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010 based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as at December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for the years then ended, and our report dated March 8, 2011, expressed an unqualified opinion on those consolidated financial statements.

Chartered Accountants

Vancouver, Canada
March 8, 2011

BALLARD POWER SYSTEMS INC.
Consolidated Balance Sheets
December 31,
(Expressed in thousands of U.S. dollars)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 51,937**	$ 43,299
Short-term investments	**22,508**	38,932
Accounts receivable (notes 5 & 18)	**11,614**	12,903
Inventories (note 6)	**12,382**	9,168
Prepaid expenses and other current assets	**957**	2,114
	99,398	106,416
Property, plant and equipment (note 7)	**36,706**	39,320
Intangible assets (note 8)	**2,975**	824
Goodwill	**48,106**	48,106
Investments (note 9)	**673**	632
Long-term accounts receivable (note 5)	**1,596**	-
Other long-term assets	**334**	50
	$ 189,788	$ 195,348
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (notes 10 & 18)	**$ 23,334**	$ 20,321
Deferred revenue	**2,506**	1,607
Accrued warranty liabilities	**8,570**	7,813
Current portion of obligation under capital lease (note 11)	**681**	316
	35,091	30,057
Long-term liabilities (notes 12 & 13)	**4,432**	4,632
Deferred gain (note 4)	**9,036**	-
Obligation under capital lease (note 11)	**13,354**	1,739
	61,913	36,428
Shareholders' equity:		
Ballard Power Systems Inc. shareholders' equity		
Share capital (note 14)	**836,245**	835,565
Treasury shares (note 14)	**(670)**	(207)
Contributed surplus (note 14)	**288,618**	284,510
Accumulated deficit	**(995,669)**	(960,712)
Accumulated other comprehensive loss	**(236)**	(236)
Total Ballard Power Systems Inc. shareholders' equity	**128,288**	158,920
Dantherm Power A/S non-controlling interests (note 2)	**(413)**	-
Total Shareholders' Equity	**127,875**	158,920
	$ 189,788	$ 195,348

See accompanying notes to consolidated financial statements.
Commitments, guarantees and contingencies (notes 11 & 16)

Approved on behalf of the Board:

"Ed Kilroy"
Director

"Ian Bourne"
Director

BALLARD POWER SYSTEMS INC.
Consolidated Statements of Operations and Comprehensive Loss
Years ended December 31,
(Expressed in thousands of U.S. dollars, except per share amounts and number of shares)

	2010	2009
Revenues:		
Product and service revenues	**$ 65,019**	$ 46,722
Cost of product and service revenues	**54,808**	40,795
Gross margin	**10,211**	5,927
Operating expenses:		
Research and product development	**23,812**	26,628
General and administrative	**13,315**	10,801
Sales and marketing	**8,861**	7,203
Restructuring and related costs (note 10)	**285**	6,229
Acquisition charges	**243**	529
Depreciation and amortization	**6,454**	6,580
Total operating expenses	**52,970**	57,970
Operating loss	**(42,759)**	(52,043)
Investment and other income (note 15)	**128**	5,995
Interest expense	**(974)**	-
Gain on sale of assets (note 9)	**4,765**	34,419
Equity gain in associated companies (note 12)	**-**	8,364
Loss before income taxes	**(38,840)**	(3,265)
Income tax (recovery) (note 17)	**3**	(7)
Net loss and comprehensive loss	**(38,843)**	(3,258)
Less: Net loss attributable to Dantherm Power A/S non-controlling interests	**(3,907)**	-
Net loss and comprehensive loss attributable to Ballard Power Systems Inc.	**$ (34,936)**	$ (3,258)
Basic and diluted loss per share attributable to Ballard Power Systems Inc.	**$ (0.42)**	$ (0.04)
Weighted average number of common shares outstanding	**84,102,315**	83,637,315

See accompanying notes to consolidated financial statements.

BALLARD POWER SYSTEMS INC.
Consolidated Statements of Shareholders' Equity
December 31,
(Expressed in thousands of U.S. dollars except per share amounts and number of shares)

	Ballard Power Systems Inc. shareholders' equity						Dantherm Power A/S	
	Number of shares	Share capital	Treasury shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Non-controlling interests	Total shareholders' equity
Balance, December 31, 2008	82,122,135	$ 832,711	$ –	$ 283,466	$ (957,454)	$ (236)	$ –	$ 158,487
Net loss	–	–	–	–	(3,258)	–	–	(3,258)
Non-dilutive financing (note 3)	–	–	–	(719)	–	–	–	(719)
Purchase of treasury shares (note 14)	–	–	(207)	–	–	–	–	(207)
RSUs and DSUs redeemed	219,232	1,126	–	(1,283)	–	–	–	(157)
Options exercised	5,000	7	–	-	–	–	–	7
Share distribution plan	1,627,621	1,721	–	3,046	–	–	–	4,767
Balance, December 31, 2009	83,973,988	835,565	(207)	284,510	(960,712)	(236)	–	158,920
Acquisition of Dantherm Power (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**3,543**	**3,543**
Additional investment in Dantherm Power (note 2)	**–**	**–**	**–**	**915**	**–**	**–**	**(49)**	**866**
Net loss	**–**	**–**	**–**	**–**	**(34,936)**	**–**	**(3,907)**	**(38,843)**
Non-dilutive financing	**–**	**–**	**–**	**(22)**	**–**	**–**	**–**	**(22)**
Purchase of treasury shares (note 14)	**–**	**–**	**(559)**	**–**	**–**	**–**	**–**	**(559)**
RSUs and DSUs redeemed	**101,986**	**542**	**96**	**(800)**	**(21)**	**–**	**–**	**(183)**
Options exercised	**72,491**	**138**	**–**	**(47)**	**–**	**–**	**–**	**91**
Share distribution plan	**–**	**–**	**–**	**4,062**	**–**	**–**	**–**	**4,062**
Balance, December 31, 2010	**84,148,465**	**$ 836,245**	**$ (670)**	**$ 288,618**	**$ (995,669)**	**$ (236)**	**$ (413)**	**$ 127,875**

See accompanying notes to consolidated financial statements.

BALLARD POWER SYSTEMS INC.
Consolidated Statements of Cash Flows
Years ended December 31,
(Expressed in thousands of U.S. dollars)

	2010	2009
Cash provided by (used for):		
Operating activities:		
Net loss for the year	**$ (38,843)**	$ (3,258)
Items not affecting cash:		
Compensatory shares	**4,057**	3,033
Employee future benefits	**(358)**	(1,524)
Depreciation and amortization	**8,564**	9,504
Unrealized gain on forward contracts	**(1,404)**	(408)
Gain on sale of assets (note 9)	**(4,816)**	(34,439)
Equity gain in associated companies	**–**	(8,364)
	(32,800)	(35,456)
Changes in non-cash working capital:		
Accounts receivable	**(65)**	6,084
Inventories	**(2,350)**	1,356
Prepaid expenses and other current assets	**1,276**	(884)
Accounts payable and accrued liabilities	**2,915**	1,623
Deferred revenue	**965**	(3,656)
Accrued warranty liabilities	**747**	3,971
	3,488	8,494
Cash used by operations	**(29,312)**	(26,962)
Investing activities:		
Net decrease (increase) in short-term investments	**17,738**	(7,619)
Additions to property, plant and equipment	**(3,453)**	(6,778)
Net proceeds on sale of property, plant and equipment and other	**20,012**	2,182
Net proceeds on monetization of other long-term assets (note 9)	**3,355**	37,000
Business acquisition including cash acquired (note 2)	**877**	–
Investments (notes 9 & 12)	**(185)**	(5,135)
	38,344	19,650
Financing activities:		
Non-dilutive financing (note 3)	**(22)**	(3,243)
Purchase of treasury shares (note 14)	**(559)**	(207)
Repayment of capital lease obligation (note 11)	**(770)**	(30)
Net proceeds on issuance of share capital	**91**	5
Contribution from Dantherm Power A/S non-controlling interests (note 2)	**866**	–
	(394)	(3,475)
Increase (decrease) in cash and cash equivalents	**8,638**	(10,787)
Cash and cash equivalents, beginning of year	**43,299**	54,086
Cash and cash equivalents, end of year	**$ 51,937**	$ 43,299

Supplemental disclosure of cash flow information (note 19)
See accompanying notes to consolidated financial statements.

1. Nature of business and summary of significant accounting policies:

(a) Nature of business:

The principal business of Ballard Power Systems Inc. (the "Corporation") is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on motive power (material handling and buses) and stationary power (back-up power and distributed generation) markets. A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. Our technology is based on proton exchange membrane ("PEM") fuel cells.

(b) Basis of presentation, critical accounting estimates and judgment applied:

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian GAAP. All amounts are in United States dollars, unless otherwise noted. Material measurement differences to United States GAAP are disclosed in note 23.

The preparation of the Corporation's consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to apply judgment when making estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses of the reporting period, as well as disclosures made in the accompanying notes to the financial statements. The estimates and associated assumptions are based on past experience and other factors that are considered relevant. Actual results could differ from these estimates.

The Corporation's critical accounting estimates include, among others, estimates related to revenue recognition on long-term contracts, the assessment of the net realizable value of goodwill and intangible assets, inventory and investments, the adequacy of warranty provisions on sales, and the recoverability of future tax assets.

(c) Convergence with International Financial Reporting Standards:

Canadian public companies will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. This change will apply to financial statements relating to the Corporation beginning on January 1, 2011. The Corporation has undertaken a project to ensure compliance with the new standards by the adoption date.

1. Nature of business and summary of significant accounting policies (cont'd):

(d) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its principal subsidiaries as follows:

	Percentage ownership	
	2010	2009
Ballard Advanced Materials Corporation	77.5%	77.5%
Ballard GmbH	100.0%	100.0%
Ballard Material Products Inc.	100.0%	100.0%
Ballard Power Corporation	100.0%	100.0%
Dantherm Power A/S (note 2)	52.0%	N/A

All significant intercompany balances and transactions have been eliminated on consolidation.

(e) Translation of foreign currencies:

The measurement currency of the Corporation is the U.S. dollar. Transactions in foreign currencies are translated at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the measurement currency are translated at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in earnings.

(f) Revenue recognition:

The Corporation generates revenues primarily from product sales and services. Product revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Service revenues are derived primarily from cost-plus reimbursable contracts. Engineering development revenues are derived primarily from long-term fixed price contracts.

On standard equipment and material sales contracts, revenues are recorded when the product is shipped to the customer and the risks of ownership are transferred to the customer, when the price is fixed and determinable, and collection is reasonably assured. Provisions are made at the time of sale for warranties.

On cost-plus reimbursable contracts, revenues are recognized as costs are incurred, and include applicable fees earned as services are provided.

1. Nature of business and summary of significant accounting policies (cont'd):

(f) Revenue recognition (cont'd):

On long-term fixed price contracts, revenues are recognized on the percentage-of-completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the balance sheet date by the sum of incurred and anticipated costs for completing a contract.

The cumulative effect of changes to anticipated revenues and anticipated costs for completing a contract are recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

Deferred revenue represents cash received from customers in excess of revenue recognized on uncompleted contracts.

(g) Cash, cash equivalents and short-term investments:

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Short-term investments consist of highly liquid interest bearing securities with maturities at the date of purchase between three months and three years.

(h) Financial instruments:

The Corporation measures its financial assets in the balance sheet at fair value, except for loans and receivables, which are measured at amortized cost. Financial liabilities classified as held for trading, including derivatives, are measured in the balance sheet at fair value; all other financial liabilities are measured at amortized cost. Long-term investments are measured at cost as they are privately held entities.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. The Corporation classifies its accounts receivables as loans and receivables and its accounts payable and warranty liabilities as other financial liabilities.

Periodically, the Corporation enters into forward exchange contracts to limit its exposure to foreign currency rate fluctuations and to platinum price fluctuations. These derivative contracts are recorded as either assets or liabilities in the consolidated balance sheet at fair value. Any changes in fair value are recognized in net income. The Corporation does not designate its financial instruments as hedges.

1. Nature of business and summary of significant accounting policies (cont'd):

(i) Inventories:

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes materials, labor and the appropriate share of production overhead based on normal operating capacity. Costs of materials are determined on an average per unit basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing the appropriate inventory obsolescence provision, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which could make inventory on hand recoverable at less than its cost or even obsolete.

(j) Property, plant and equipment:

Property, plant and equipment are initially recorded at cost and are amortized from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use, using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	30 to 39 years
Building under capital lease	15 years
Computer equipment	3 to 7 years
Furniture and fixtures	5 to 14 years
Leasehold improvements	The shorter of initial term of the respective lease and estimated useful life
Production and test equipment	4 to 15 years
Production and test equipment under capital lease	5 years

(k) Intangible assets:

Intangible assets consist of fuel cell technology acquired from third parties and are recorded at cost. Intangible assets are amortized over their estimated useful lives of 5 to 15 years using the straight-line method.

Costs incurred in establishing and maintaining patents and license agreements are expensed in the period incurred.

1. Nature of business and summary of significant accounting policies (cont'd):

(l) Impairment of long-lived assets:

Long-lived assets, including property, plant and equipment, investments, and intangible assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss, if any, is recognized when the carrying amount of a long-lived asset exceeds its fair value based on its estimated undiscounted future cash flows.

(m) Goodwill:

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to assets acquired and liabilities assumed.

Goodwill is assessed for impairment at least annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The assessment of impairment is based on estimated fair market values derived from certain valuation models, which may consider various factors such as normalized and estimated future earnings, price earnings multiples, terminal values and discount rates. An impairment loss, if any, is recognized to the extent that the carrying amount of goodwill exceeds its estimated fair market value.

The Corporation has designated December 31 as the date for the annual impairment test. As at December 31, 2010, the date of the last impairment test, goodwill was not considered to be impaired.

(n) Investments:

Investments in shares of companies over which the Corporation has the ability to exercise significant influence are accounted for by the equity method. Investments in companies where significant influence does not exist are carried at cost.

(o) Accrued warranty liabilities:

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liability, management estimates the likelihood that products sold will experience warranty claims and the estimated cost to resolve claims received, taking into account the nature of the contract and past and projected experience with the products.

1. Nature of business and summary of significant accounting policies (cont'd):

(p) Leases:

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Leases, which transfer substantially all the benefits and risks incident to ownership of the leased property to the Corporation, are accounted for as capital leases. The cost of assets under capital leases represent the present value of minimum lease payments and are amortized on a straight-line basis over the lease term. Assets under capital leases are presented in property, plant and equipment in the consolidated balance sheet.

Leases that do not transfer substantially all of the benefits and risks incident to ownership of the property are accounted for as operating leases.

(q) Asset retirement obligations:

Legal obligations to retire tangible long-lived assets are recorded at fair value at acquisition with a corresponding increase in asset value. These include assets leased under operating leases. The liability is accreted over the life of the asset to fair value and the increase in asset value is depreciated over the remaining useful life of the asset.

(r) Research and product development costs:

Research costs are expensed as they are incurred. Product development costs are expensed as incurred except if the costs are related to the development and setup of new products, processes and systems and satisfy certain conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs, if any, are amortized when commercial production begins, using the straight-line method over a period of five years. An impairment loss, if any, is recognized in the period it occurs.

As at December 31, 2010, the Corporation has not capitalized any development costs.

1. Nature of business and summary of significant accounting policies (cont'd):

(s) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for loss carry-forwards. The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

The effect on future income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated, and if realization is not considered to be "more likely than not," a valuation allowance is provided.

(t) Employee future benefits:

The Corporation accounts for employee future benefit plan assets and obligations and related costs of defined benefit pension plans, and other post-retirement benefits, under the following accounting policies:

- Accrued benefit obligations and the cost of pension and other post-retirement benefits earned by participants are determined from actuarial calculations according to the projected benefit method prorated on services. The accrued benefit obligations under the post-employment benefit plans are determined from actuarial calculations according to the accumulated benefit method. The calculations are based on management's best estimate assumptions relating to salary escalations, retirement age of participants and estimated health-care costs. Pension obligations are discounted using current market interest rates. Changes in accrued benefit obligations are recognized immediately.

- Plan assets are measured at fair value, determined directly by reference to quoted market prices. Changes in fair value on plan assets are recognized immediately.

- Actuarial gains or losses arise from changes in actuarial assumptions used to determine accrued benefit obligations and from emerging experience different from the selected assumptions. Actuarial gains or losses are recognized immediately.

- Current service costs, if any, are recognized immediately.

- Curtailment gains and losses arising from plan amendments are recognized immediately.

1. Nature of business and summary of significant accounting policies (cont'd):

(t) Employee future benefits (cont'd):

The cost of defined contribution pension plans, which cover our employees in Canada and the United States, are expensed as contributions are due.

(u) Share-based compensation:

The Corporation uses the fair-value based method of accounting for share-based compensation for all awards of shares and share options granted. The fair value at the grant date of share options ("options") is calculated using the Black-Scholes valuation method. The fair value of restricted share units ("RSUs") and deferred share units ("DSUs") are measured based on the fair value of the underlying shares on the grant date. Compensation expense is charged to net income over the vesting period and is recognized when services are received with a corresponding increase to contributed surplus. Under certain circumstances, RSUs are contingent on achieving specified performance criteria. The Corporation estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate.

The Corporation issues shares and share options under its share-based compensation plans as described in note 14. Any consideration paid by employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

(v) Earnings (loss) per share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the dilution is calculated based upon the number of common shares issued should deferred share units ("DSUs"), restricted share units ("RSUs"), and "in the money" options, if any, be exercised. For the years ended December 31, 2010 and 2009, diluted loss per share has not been calculated, as the effects of outstanding stock-based compensation arrangements would be anti-dilutive.

(w) Comprehensive income (loss):

Other comprehensive income (loss) represents changes in shareholders' equity and includes items such as unrealized gains and losses on financial assets classified as available-for-sale, and cumulative translation adjustments. The Corporation has included a reconciliation of comprehensive income and accumulated other comprehensive income, which is presented as a separate category of shareholders' equity, on the consolidated balance sheet and the consolidated statement of shareholders' equity.

1. Nature of business and summary of significant accounting policies (cont'd):

(x) Government assistance and investment tax credits:

Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in the statement of operations, as determined by the terms and conditions of the agreements under which the assistance is provided to the Corporation or the nature of the expenditures which gave rise to the credits. Government assistance and investment tax credit receivables are recorded when their receipt is reasonably assured.

(y) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

2. Business acquisition:

On January 18, 2010, the Corporation acquired a controlling interest (the "Acquisition") in Denmark-based Dantherm Power A/S ("Dantherm Power"), partnering with co-investors Dantherm A/S and Danfoss Ventures A/S. Dantherm Power was acquired primarily for its intangible assets related to fuel cell-based backup power systems. In exchange for an initial investment of 15,000,000 Danish Kroner, or $2,915,000, the Corporation obtained a 45.14% interest in Dantherm Power including the right to nominate a majority of the members of the Board of Directors. Through the Corporation's ability to elect a majority of the members of the Dantherm Power board, who have the power to determine the strategic operating, investing and financing policies of Dantherm Power, the Corporation holds effective control over Dantherm Power as of the date of the initial investment.

As a result, all assets, liabilities and results of operations of Dantherm Power are consolidated and have been included in the Corporation's consolidated financial statements and are reported in the Fuel Cell Products segment. Ownership interests in Dantherm Power, other than the Corporation's, are shown as non-controlling interests. The non-controlling interest was valued based on the price paid for the controlling interest by the Corporation on its initial acquisition date.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations of Dantherm Power have been included in the consolidated financial statements since the date of acquisition. The intangible assets arising from this acquisition are amortized over their estimated useful life of 5 years.

2. Business acquisition (cont'd):

The following is the purchase price allocation to the fair value of the assets acquired, and liabilities assumed at the date of acquisition:

Net assets acquired:		
Cash and cash equivalents	$	3,792
Accounts receivable		128
Inventories		864
Prepaid expenses and other		143
Property, plant and equipment		536
Intangible assets		2,876
Investments		13
Current liabilities		(1,894)
Net assets acquired on January 18, 2010		6,458
Non-controlling interest of 54.86%		(3,543)
Total purchase consideration	$	2,915

Purchase consideration	$	(2,915)
Acquired cash and cash equivalents		3,792
Net cash acquired on business acquisition	$	877

In August 2010, the Corporation invested an additional 15,000,000 Danish Kroner, or $2,566,000, in Dantherm Power for an additional 7% interest, resulting in a 52% total equity interest held. Dantherm Power's non-controlling interests contributed $866,000 with respect to their prior interests.

Since the date of acquisition, Dantherm Power revenue of $2,525,000 and net loss attributable to Ballard Power Systems Inc. of $3,411,000 have been included in the Corporation's statement of operations. Pro forma revenue and net loss attributable to the Corporation as if Dantherm Power was acquired on January 1, 2010 would not be materially different than the amounts reported in the consolidated statement of operations in 2010. If Dantherm Power was acquired on January 1, 2009, pro forma revenue would be $48,583,000 and net loss attributable to the Corporation would be $8,402,000 in 2009.

Dantherm Power is focused on development and production of commercially viable cell-based back-up power systems for use in information technology and telecom network base stations.

3. Non-dilutive financing:

On December 31, 2008, the Corporation completed a restructuring transaction with Superior Plus Income Fund ("Superior Plus") to reorganize the Corporation's business under a Plan of Arrangement (the "Arrangement") resulting in a non-dilutive financing with gross cash proceeds of $38,029,000 (CDN $46,319,000). On the closing of the Arrangement in 2008, the Corporation recorded a contribution to Contributed Surplus of $33,071,000, representing the gross proceeds of $38,029,000 net of non-dilutive financing costs of $4,958,000.

Of the total non-dilutive financing costs of $4,958,000, $3,243,000 and $22,000 were paid in 2009 and 2010, respectively and $613,000 remain accrued in accounts payable and accrued liabilities at December 31, 2010.

4. Sale-leaseback transaction:

On March 9, 2010, the Corporation completed a sale and leaseback agreement with Madison Pacific Properties Inc. ("Madison") whereby the Corporation sold its head office building in Burnaby, British Columbia in return for gross cash proceeds of $20,427,000 (Canadian $20,750,000). The Corporation then leased the property back from Madison for an initial 15-year term plus two 5-year renewal options. On the closing of the transaction, the Corporation recorded a deferred gain of $9,512,000, consisting of $6,242,000 allocated to the building and $3,270,000 allocated to the land, both of which will be recognized to income on a straight-line basis over the term of the 15-year lease. Due to the long-term nature of the lease, the leaseback of the building qualifies as a capital lease. As a result, on the closing of the transaction the Corporation recorded assets under capital lease of $12,180,000, and a corresponding obligation under capital lease (notes 7 and 11), representing the net present value of the minimum lease payments at the inception of the lease allocated to the building and an operating lease for the leaseback of the land. The future lease payments allocated to the building are included in the table in note 11, while the future lease payments allocated to the land are $631,000 per year for the next 15 years.

The deferred gain recorded on closing of the sale-leaseback transaction in 2010 is as follows:

Proceeds on disposition	$	20,427
Net book value of assets sold		(10,432)
Disposition costs		(483)
Deferred gain on sale	$	9,512
Less amortization in 2010		(529)
Other		53
	$	9,036

5. Accounts receivable:

	2010	2009
Trade receivables	$ 12,584	$ 12,847
Other	626	56
	13,210	12,903
Less: Long-term trade receivables	(1,596)	–
	$ 11,614	$ 12,903

6. Inventories:

	2010	2009
Raw materials and consumables	$ 6,962	$ 5,928
Work-in-progress	2,951	2,018
Finished goods	2,469	1,222
	$ 12,382	$ 9,168

In 2010, changes in raw materials and consumables, finished goods and work-in-progress recognized as cost of product and service revenues amounted to $34,574,000 (2009 - $20,677,000). In 2010, the write-down of inventories to net realizable value amounted to $604,000 (2009 - $874,000). There were no reversals of write-downs in 2010 or 2009. Write-downs and reversals are included in either cost of product and service revenues, or research and product development expense, depending on the nature of inventory.

7. Property, plant and equipment:

2010	Cost	Accumulated depreciation	Net book value
Land	$ 1,220	$ -	$ 1,220
Building	3,666	2,044	1,622
Building under capital lease (notes 4 & 11)	12,180	652	11,528
Computer equipment	6,339	5,347	992
Furniture and fixtures	741	682	59
Leasehold improvements	6,934	4,097	2,837
Production and test equipment	45,382	28,889	16,493
Production and test equipment under capital lease (note 11)	2,078	123	1,955
	$ 78,540	$ 41,834	$ 36,706

7. Property, plant and equipment (cont'd):

2009	Cost	Accumulated depreciation	Net book value
Land	$ 4,803	$ -	$ 4,803
Building	13,596	5,661	7,935
Computer equipment	11,421	10,319	1,102
Furniture and fixtures	4,692	4,629	63
Leasehold improvements	8,669	5,489	3,180
Production and test equipment	67,651	47,492	20,159
Production and test equipment under capital lease (note 11)	2,078	-	2,078
	$ 112,910	$ 73,590	$ 39,320

For the year ended December 31, 2010, the Corporation recorded $8,086,000 (2009 – $6,300,000) of depreciation expense.

8. Intangible assets:

2010	Cost	Accumulated amortization	Net book value
Fuel cell technology	$ 43,443	$ 40,468	$ 2,975

2009	Cost	Accumulated amortization	Net book value
Fuel cell technology	$ 40,567	$ 39,743	$ 824

During 2010, the Corporation acquired $2,876,000 in fuel cell technology as part of the acquisition of Dantherm Power (note 2).

For the year ended December 31, 2010, the Corporation recorded $725,000 (2009 – $2,902,000) of amortization expense.

9. Investments:

Investments are comprised of the following:

	2010		2009	
	Amount	Percentage ownership	Amount	Percentage ownership
Chrysalix Energy Limited Partnership	$ 663	15.0%	$ 632	15.0%
AFCC	–	19.9%	–	19.9%
Other	10		–	
	$ 673		$ 632	

9. Investments (cont'd):

Chrysalix Energy Limited Partnership ("Chrysalix") is recorded at the lower of cost and estimated net realizable value. During 2010, the Corporation made additional investments of $67,000 (2009 - $200,000) in Chrysalix, which was partially offset by a cash distribution received from Chrysalix of $36,000 (2009 - $68,000).

The Corporation maintains a 19.9% interest in AFCC, which is accounted for using the cost method and is subject to a Share Purchase Agreement ("SPA") under which Ford, either at the option of the Corporation or Ford's election, may purchase the Corporation's interest in AFCC at any time after January 31, 2013 for $65,000,000 plus interest accruing at LIBOR from January 31, 2008. The Corporation has no obligation to fund any of AFCC's operating expenses.

In December 2009, the Corporation completed an agreement to monetize its rights under the SPA whereby the Corporation effectively sold its rights and obligations under the SPA to a third party for initial fixed proceeds of $37,000,000 and a contingent payment of $7,500,000. The contingent payment of $7,500,000 was due upon maturation of the Share Purchase Agreement in 2013, and was contingent on the financial institution's rights in the transaction remaining unsubordinated. On the closing of the SPA monetization in 2009, the Corporation recorded a gain of $34,297,000.

In July 2010, the Corporation completed an agreement with the financial institution to extinguish the $7,500,000 contingent payment for $5,000,000 and recorded an additional gain of $4,761,000. The Corporation's investment in AFCC and the SPA has now been fully monetized.

Initial proceeds on disposal of SPA in 2009	$	37,000
Net book value of AFCC and SPA		(1,262)
SPA disposal costs accrued at December 31, 2009		(1,441)
Other		122
Gain on sale of assets in 2009	$	34,419
Additional proceeds to extinguish contingent payment in 2010	$	5,000
SPA disposal costs incurred in 2010		(239)
Other		4
Gain on sale of assets in 2010	$	4,765

10. Accounts payable and accrued liabilities:

	2010	2009
Trade accounts payable	$ 8,453	$ 6,670
Other liabilities	4,677	3,952
Accrued non-dilutive financing costs (note 3)	613	584
Compensation payable	9,159	5,235
Taxes payable	354	302
Accrued restructuring and related costs	78	2,137
Accrued SPA disposal costs (note 9)	–	1,441
	$ 23,334	$ 20,321

In August 2010, the Corporation completed an organizational restructuring at Dantherm Power resulting in restructuring and related charges of $285,000 primarily for severance expense on the elimination of 8 positions.

In August 2009, the Corporation completed an organizational restructuring resulting in restructuring and related charges of $4,866,000 primarily for severance expense on the elimination of 85 positions. This action was in addition to an organizational restructuring completed in March 2009 that resulted in restructuring and related charges of $1,363,000 primarily for severance expense on the elimination of 32 positions.

As at December 31, 2010, $78,000 (2009 - $2,137,000) of restructuring and related costs were payable.

11. Obligations under capital lease:

In March 2010, the Corporation entered into a sale and leaseback transaction relating to its head office building resulting in a capital lease with an imputed interest rate of 7.35% per annum expiring in February 2025 (note 4). The Corporation also leases certain production equipment under capital lease with an imputed interest rate of 2.25% per annum expiring December 2014. The minimum future lease payments for the Corporation's capital leases are as follows:

Year ending December 31	
2011	$ 1,591
2012	1,591
2013	1,591
2014	1,997
2015	1,402
Thereafter	13,941
Total minimum lease payments	22,113
Less imputed interest	(8,078)
Total obligation under capital lease	14,035
Current portion of obligation under capital lease	681
Long-term portion of obligation under capital lease	$ 13,354

11. Obligations under capital lease (cont'd):

The obligation under capital lease for certain production equipment is secured by a hypothecation of the Corporation's cash, cash equivalents, and short-term investments.

For the year ended December 31, 2010, $693,000 (2009 – nil) of interest was paid on capital lease obligations.

12. Long-term liabilities:

	2010	2009
Defined benefit pension plan	$ 2,459	$ 2,695
Other benefit plan	491	616
Employee future benefit plans (note 13)	2,950	3,311
Asset retirement obligation	1,482	1,321
	$ 4,432	$ 4,632

In determining the fair value of the asset retirement obligations, the estimated future cash flows have been discounted at 12% per annum. The total undiscounted amount of the estimated cash flows required to settle this obligation is $3,980,000. The obligation will be settled at the end of the term of the operating lease, which extends to 2019.

In March 2009, the Corporation made a net investment of $5,000,000 in EBARA BALLARD Corporation ("EBARA BALLARD"), a joint venture with EBARA Corporation ("Ebara") that was focused on the development, manufacture, sale, and servicing of stationary power systems for the residential cogeneration market in Japan. In May 2009, the Corporation announced intentions to discontinue operations in EBARA BALLARD. EBARA BALLARD was accounted for using the equity method and was considered a related party. On the announcement of the intention to discontinue operations, the $10,838,000 of historic recorded equity losses in EBARA BALLARD in excess of the net investment of EBARA BALLARD (including $2,474,000 of equity losses recorded in 2009 prior to the wind-up), was reversed to net income as (i) Ebara was solely responsible for the liquidation obligations of EBARA BALLARD; and (ii) the Corporation was not committed to provide, nor did it intend to provide, any further financial support to EBARA BALLARD. As a result, the Corporation recorded equity income of $8,364,000 in 2009. EBARA BALLARD was formally dissolved in October 2009.

13. Employee future benefit plans:

	2010		2009	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Fair value of plan assets	$ 8,360	$ -	$ 7,105	$ -
Accrued benefit obligation	(10,819)	(491)	(9,800)	(616)
Accrued benefit liability	$ (2,459)	$ (491)	$ (2,695)	$ (616)

The Corporation maintains a defined benefit pension plan covering employees in the United States. The benefits under the pension plan are based on years of service and salary levels accrued as of December 31, 2009. In 2009, amendments were made to the defined benefit pension plan to freeze benefits accruing to employees at their respective years of service and salary levels obtained as of December 31, 2009. This hard freeze of pension plan benefits resulted in the recognition of curtailment gains of $1,055,000 in 2009. Certain employees in the United States are also eligible for post-retirement healthcare, life insurance and other benefits. The Corporation accrues its obligations under employee future benefit plans and the related costs, net of the fair value of plan assets.

The measurement date used to determine pension and other post-retirement benefit measures is December 31 of each year. The most recent actuarial valuation of the employee future benefit plans for funding purposes was as of January 1, 2010. The next actuarial valuation of the employee future benefit plans for funding purposes is expected to be as of January 1, 2011.

Information about the Corporation's employee future benefit plans, in aggregate, is as follows:

Defined benefit plan obligations:

	2010		2009	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Balance, beginning of year	$ 9,800	$ 616	$ 9,981	$ 616
Current service cost	–	3	366	3
Interest cost	579	35	594	35
Benefits paid	(217)	(31)	(200)	(31)
Benefits payable	36	–	–	–
Actuarial (gains) losses	621	(132)	114	(7)
Curtailment gain	–	–	(1,055)	–
Balance, end of year	$ 10,819	$ 491	$ 9,800	$ 616

13. Employee future benefit plans (cont'd):

Defined benefit plan assets:

	2010		2009	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Balance, beginning of year	$ 7,105	$ –	$ 5,761	$ –
Actual return (loss) on plan assets	1,136	–	1,477	–
Employer's contributions	370	28	100	31
Plan expenses	(34)	–	(33)	–
Benefits paid	(217)	(28)	(200)	(31)
Balance, end of year	$ 8,360	$ –	$ 7,105	$ –

The plan assets for the funded pension plan consists of:

	2010	2009
Cash and cash equivalents	2%	1%
Equity securities	71%	72%
Debt securities	27%	27%
Total	100%	100%

The elements of the employee future benefit plan expenses recognized for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Current service cost	$ –	$ 3	$ 366	$ 3
Interest cost	579	35	594	35
Actual (return) loss on plan assets	(1,136)	–	(1,477)	–
Actuarial (gains) losses	621	(131)	114	(7)
Plan expenses	34	–	33	–
Benefits	36	–	–	–
Curtailment gain	–	–	(1,055)	–
Employee future benefit plan expense (gain)	$ 134	$ (93)	$ (1,425)	$ 31

13. Employee future benefit plans (cont'd):

The significant actuarial assumptions adopted in measuring benefit obligations at December 31, 2010 and 2009 were as follows:

	2010		2009	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	5.5%	5.5%	6.0%	6.0%
Rate of compensation increase	n/a	n/a	n/a	n/a

The significant actuarial assumptions adopted in determining net expense for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	6.0%	6.0%	6.0%	6.0%
Expected return on plan assets	7.0%	n/a	7.0%	n/a
Rate of compensation increase	n/a	n/a	3.3%	n/a

The assumed health care cost trend rates applicable to the other benefit plans at December 31, 2010 and 2009 were as follows:

	2010	2009
Initial medical health care cost trend rate	8.5%	9.0%
Initial dental health care cost trend rate	5.0%	5.0%
Cost trend rate declines to medical and dental	5.0%	5.0%
Year that the medical rate reaches the rate it is assumed to remain at	2017	2017
Year that the dental rate reaches the rate it is assumed to remain at	2009	2009

A one-percentage-point change in assumed health care cost trend rates would not have a material impact on the Corporation's financial statements.

14. Share capital:

(a) Authorized and issued:

Unlimited number of common shares, voting, without par value.

Unlimited number of preferred shares, issuable in series.

At December 31, 2010, 84,148,465 (2009 – 83,973,988) common shares are issued and outstanding.

14. Share capital (cont'd):

(b) Share option plan:

In 2009, the Corporation adopted a consolidated share option plan to supersede and replace four previous share option plans. All directors, officers and employees of the Corporation, and its subsidiaries, are eligible to participate in the share option plan although as a matter of policy, options are currently not issued to directors. Option exercise prices are denominated in both Canadian and U.S. dollars, depending on the residency of the recipient. Canadian dollar denominated options have been converted to U.S. dollars using the year-end exchange rate for presentation purposes. All options have a term of seven to ten years from the date of grant unless otherwise determined by the board of directors. One-third of the options vest and may be exercised, at the beginning of each of the second, third and fourth years after granting.

As at December 31, 2010, options outstanding from the consolidated share option plan was as follows:

	Options for common shares		Weighted average exercise price
Balance, December 31, 2008	5,476,382	$	24.65
Options granted	1,944,997		1.60
Options exercised	(5,000)		1.01
Options forfeited	(1,548,528)		33.13
Balance, December 31, 2009	5,867,851		19.18
Options granted	1,709,737		2.31
Options exercised	(72,491)		1.30
Options forfeited	(589,408)		9.48
Options expired	(233,100)		190.90
Balance, December 31, 2010	6,682,589	$	10.84

14. Share capital (cont'd):

(b) Share option plan (cont'd):

The following table summarizes information about the Corporation's share options outstanding as at December 31, 2010:

	Options outstanding				Options exercisable	
Range of exercise price	Number outstanding at December 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price		Number exercisable at December 31, 2010	Weighted average exercise price
$ 1.01 – $2.41	3,163,338	5.8	$ 1.99		514,163	$ 1.66
$ 3.12 – $5.11	587,007	4.2	4.83		392,338	4.83
$ 5.82 – $7.99	1,579,205	4.3	7.35		1,579,205	7.35
$ 10.00 – $14.76	376,635	2.5	13.94		376,635	13.94
$ 18.40 – $38.96	525,954	1.4	36.21		525,954	36.21
$ 44.04 – $88.98	450,450	0.5	60.90		450,450	60.90
	6,682,589	4.4	$ 10.84		3,838,745	$ 17.21

The Corporation uses the fair-value method for recording employee and director share option grants. During 2010, compensation expense of $1,557,000 (2009 - $1,760,000) was recorded in net income as a result of fair value accounting for share options granted. The share options granted during the year had a weighted average fair value of $1.23 (2009 - $0.76) and vesting periods of three years.

The fair values of the options granted were determined using the Black-Scholes valuation model under the following weighted average assumptions:

	2010	2009
Expected life	5 years	5 years
Expected dividends	Nil	Nil
Expected volatility	65%	60%
Risk-free interest rate	3%	3%

(c) Share distribution plan:

In 2009, the Corporation adopted a consolidated share distribution plan to supersede and replace five previous share distribution plans. The consolidated share distribution plan permits the issuance of common shares for no cash consideration to employees of the Corporation to recognize their past contribution and to encourage future contribution to the Corporation. At December 31, 2010, there were 1,089,491 (2009 – 1,472,380) shares available to be issued under these plans.

No compensation expense was recorded against income during the years ended December 31, 2010 and 2009 for shares distributed, and to be distributed, under the plan.

14. Share capital (cont'd)

(d) Deferred Share Units:

Deferred share units ("DSUs") are granted to the board of directors and executives. Eligible directors may elect to receive all or part of their annual retainers and executives may elect to receive all or part of their annual bonuses in DSUs. Each DSU is redeemable for one common share in the capital of the Corporation after the director or executive ceases to provide services to the Corporation. Shares will be issued from the Corporation's share distribution plan.

	DSUs for common shares
Balance, December 31, 2008	333,066
DSUs exercised	(16,914)
Balance, December 31, 2009	316,152
DSUs exercised	(25,355)
Balance, December 31, 2010	290,797

No compensation expense was recorded against income during the year ended December 31, 2010.

In 2009, the Corporation determined that 169,276 DSUs had been issued to directors in excess of a limitation set out in its share distribution plan. The Corporation's shareholders ratified the DSU overgrant. Accordingly the previously recorded compensation expense relating to the overgrant was reversed from contributed surplus and the revised compensation expense for the approved DSUs was recorded based on the market price of the shares on the date of approval, resulting in a net decrease to contributed surplus of $451,000.

(e) Restricted Share Units:

Restricted share units ("RSUs") are granted to employees and executives. Each RSU is convertible into one common share. The RSUs vest after a specified number of years from the date of issuance, and under certain circumstances, are contingent on achieving specified performance criteria.

The Corporation has two plans under which RSUs may be granted, the consolidated share distribution plan and the market purchase RSU plan. Awards under the consolidated share distribution plan (note 14 (c)) are satisfied by the issuance of treasury shares on maturity. Awards granted under the market purchase RSU Plan are satisfied by shares purchased on the open market by a trust established for that purpose. During 2010, the Corporation repurchased 269,877 (2009 – 87,729) common shares through the trust for cash consideration of $559,000 (2009 – $207,000) for the purpose of funding future grants under the Market Purchase RSU Plan. As at December 31, 2010 the Corporation held 318,615 shares as treasury shares.

14. Share capital (cont'd)

(e) Restricted Share Units (cont'd):

	RSUs for common shares		
	Share Distribution Plan	Market Purchase Plan	Total RSUs
Balance, December 31, 2008	1,092,813	–	1,092,813
RSUs granted	633,737	446,733	1,080,470
RSUs exercised	(357,319)	–	(357,319)
RSUs forfeited	(128,215)	(66,000)	(194,215)
Balance, December 31, 2009	1,241,016	380,733	1,621,749
RSUs granted	-	893,370	893,370
RSUs exercised	(154,006)	(38,990)	(192,996)
RSUs forfeited	(235,040)	(176,015)	(411,055)
Balance, December 31, 2010	851,970	1,059,098	1,911,068

During 2010, compensation expense of $2,500,000 (2009 - $1,736,000) was recorded against income.

15. Investment and other income (loss):

	2010	2009
Investment return (loss) less interest cost on employee future benefit plans	$ (12)	$ 741
Curtailment gain on employee future benefit plans	–	1,055
Employee future benefits gain (loss) (note 13)	(12)	1,796
Investment income	247	387
Other income	300	625
Foreign exchange gain (loss)	(407)	3,187
Investment and other income (loss)	$ 128	$ 5,995

16. Commitments, guarantees and contingencies:

(a) At December 31, 2010, the Corporation is committed to payments under operating leases as follows:

2011		2,551
2012		2,557
2013		2,521
2014		2,578
2015		2,750
Thereafter		13,731
Total minimum lease payments	$	26,688

(b) The Corporation has agreed to pay royalties in respect of sales of certain fuel cell-based stationary power products under two development programs with Canadian government agencies. The total combined royalty is limited in any year to 4% of revenue from such products. Under the original terms of the Utilities Development Program (Phase 1) with the Governments of Canada and British Columbia, total royalties were payable to a maximum equal to the original amount of the government contributions of CDN $10,702,000. During 2009, a Canadian government agency agreed to terminate potential royalties payable of CDN $5,351,000 in respect of future sales of fuel cell based stationary power products under the Utilities Development Program (Phase 1). As at December 31, 2010, no royalties have been incurred for Phase 1. Under the terms of the Utilities Development Program (Phase 2) with Technology Partnerships Canada ("TPC") total royalties are payable to a maximum of CDN $38,329,000. As at December 31, 2010, a total of CDN $5,320,000 in royalty repayments have been made for Phase 2 including payments of CDN $nil in 2010 and CDN $115,000 in 2009.

Original maximum recoverable amount under Phase 1 and 2	CDN$	49,031
Termination of potential royalties payable		(5,351)
Prior year payments applied		(5,321)
Maximum recoverable amount, December 31, 2010	CDN$	38,359
Maximum recoverable amount, December 31, 2010	US$	38,567

16. Commitments, guarantees and contingencies (cont'd):

(c) As at December 31, 2009, the Corporation had issued letter of credits in the amount of $293,000 related to inventory purchases and customer guarantees. No such letter of credits were outstanding as at December 31, 2010.

(d) At December 31, 2010, the Corporation has outstanding commitments aggregating up to a maximum of $1,156,000 (2009 - $1,691,000) relating primarily to purchases of property, plant and equipment.

(e) The Corporation is also committed to make future investments totaling $201,000 in Chrysalix (note 9).

(f) The Corporation has agreed to pay royalties in respect of sales of Ballard fuel cells or fuel cell systems under a July 31, 1996 Fuel Cell Bus Program Agreement ("FC Bus Agreement"), with Province of British Columbia, BC Transit, and BC Transportation Financing Authority ("BCTFA"). Under the terms of FC Bus Agreement, the royalty payable is at a rate of 2% on future sales of such products for commercial transit application to a maximum of $2,212,000 (CDN$ 2,200,000). No royalties have been paid, or accrued, as of December 31, 2010.

(g) The Arrangement with Superior Plus (note 3) includes an indemnification agreement dated December 31, 2008 (the "Indemnity Agreement"), which sets out the parties' continuing obligations to the other. The Indemnity Agreement provides for the indemnification by each of the parties to the other for breaches of representations and warranties or covenants, as well as, in the Corporation's case, any liability relating to the business, which is suffered by Superior Plus. The Corporation's indemnity to Superior Plus with respect to representation relating to the existence of the Corporation's tax pools immediately prior to the completion of the Arrangement is limited to an aggregate of $7,390,000 (CDN $7,350,000) with a threshold amount of $503,000 (CDN $500,000) before there is an obligation to make a payment. The Indemnity Agreement also provides for adjustments to be paid by the Corporation, or to the Corporation, depending on the final determination of the amount of 2008 Canadian non-capital losses, scientific research and development expenditures and investment tax credits, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed.

At December 31, 2010, no amount payable or receivable has been accrued as a result of the Indemnity Agreement.

17. Income taxes:

The Corporation's effective income tax rate differs from the combined Canadian federal and provincial statutory income tax rate for manufacturing and processing companies.

The principal factors causing the difference are as follows:

	2010	2009
Net loss attributable to Ballard Power Systems Inc. before income taxes	$ (34,933)	$ (3,265)
Expected tax recovery at 28.50% (2009 – 30.00%)	$ (9,956)	$ (980)
Increase (reduction) in income taxes resulting from:		
Gain on sale of assets	(1,289)	(5,966)
Non-deductible expenses (non-taxable income)	1,249	320
Non-taxable equity gain in associated companies	–	(2,509)
Investment tax credits earned	(4,558)	(6,681)
Foreign tax rate differences	658	249
Losses and other deductions for which no benefit has been recorded	13,896	15,567
Income tax expense	–	–
Branch tax	3	(7)
Income taxes (recovery)	$ 3	$ (7)

The Corporation has available to carry forward the following as at December 31:

	2010	2009
Canadian scientific research expenditures	$ 37,398	$ 24,880
Canadian losses from operations	19,652	–
Canadian investment tax credits	13,990	8,746
German losses from operations for corporate tax purposes	220	204
U.S. federal losses from operations	14,727	18,440
U.S. state losses from operations	1,702	3,333
U.S. research and development and investment tax credits	707	783
U.S. capital losses	180,762	180,761
Denmark losses from operations	18,359	–

The Canadian scientific research expenditures may be carried forward indefinitely. The German and Denmark losses from operations may be used to offset future taxable income in Germany and Denmark for corporate tax and trade tax purposes and may be carried forward indefinitely. The U.S. federal losses from operations may be used to offset future U.S. taxable income and expire over the period from 2011 to 2030. The Canadian loses from operations may be used to offset future Canadian taxable income and expire over the period from 2028 to 2030.

17. Income taxes (cont'd):

The U.S. states losses from operations arising in California may be used to offset future state taxable income and may be carried forward for ten years.

The U.S. research and development and investment tax credits are available to reduce future U.S. taxable income and expire over the period from 2011 to 2029. The U.S. capital losses are available to reduce U.S. capital gains and expire over the period from 2011 to 2013.

The Canadian investment tax credits may be used to offset future Canadian income taxes otherwise payable and expire as follows:

2011	$ 324
2012	62
2013	121
2014	107
2016	96
2017	105
2029	7,408
2030	5,767
	$ 13,990

The following sets forth the tax effect of temporary differences that give rise to future income tax assets and liabilities:

	2010	2009
Future income tax assets:		
Scientific research expenditures	$ 9,350	$ 6,220
Investment in associated companies	2,296	2,173
Accrued warranty and pension liabilities	7,965	3,747
Losses from operations carried forward	14,694	6,526
Capital losses	61,459	61,459
Investment tax credits	12,757	8,274
Property, plant and equipment and intangible assets	49,525	28,111
Total future income tax assets	158,046	116,510
Less valuation allowance:		
- Canada	(83,993)	(47,346)
- U.S.	(68,595)	(69,110)
- Germany	(83)	(54)
- Denmark	(5,375)	–
Net future income taxes	$ –	$ –

18. Related party transactions:

Related parties include EBARA BALLARD Corporation and EBARA Corporation prior to the discontinuance of the Corporation's operations in EBARA BALLARD Corporation in May 2009; and Dantherm A/S and Danfoss Ventures A/S subsequent to the closing of the Dantherm acquisition on January 18, 2010. Revenues and costs recognized from transactions with such parties reflect the prices and terms of sales and purchase transactions with related parties, which are in accordance with normal trade practices.

	2010	2009
Balances with related parties:		
Accounts receivable	$ 153	$ –
Accounts payable and accrued liabilities	517	–

	2010	2009
Transactions during the year with related parties:		
Revenues	$ 134	$ 380
Purchases	1,301	78
Net investments and advances (note 12)	$ –	$ 5,000

19. Supplemental disclosure of cash flow information:

	2010	2009
Non-cash financing and investing activities:		
Compensatory shares	$ 540	$ 2,847
Accrued costs related to Arrangement (note 3)	$ –	$ 584
Assets acquired under capital lease (notes 4 & 7)	$ 12,180	$ 2,078

20. Segmented financial information:

The Corporation's business operates in three market segments:

- **Fuel Cell Products:** Fuel cell products and services for motive power (material handling and bus markets) and stationary power (back-up power and distributed generation markets) applications;
- **Contract Automotive:** Contract technical and manufacturing services provided primarily to Daimler, Ford, and AFCC; and
- **Material Products:** Carbon fiber products primarily for automotive transmissions and gas diffusion layers ("GDL") for fuel cells.

20. Segmented financial information (cont'd):

Segment revenues and segment income (loss) represent the primary financial measures used by senior management in assessing performance and allocating resources, and include the revenues, cost of product and service revenues and expenses for which management is held accountable. Segment expenses include research and product development costs directly attributable to individual segments.

Costs associated with shared services and other shared costs are allocated based on headcount and square footage. Corporate amounts include expenses for research and product development that are not attributable to individual segments, sales and marketing, and general and administrative, which apply generally across all segments and are reviewed separately by senior management.

A significant portion of the Corporation's production, testing and lab equipment, and facilities, as well as intellectual property, are common across the segments. Therefore, management does not classify asset information on a segmented basis. Instead, performance assessments of these assets and related resources allocations are done on a company-wide basis.

	2010	2009
Revenues		
Fuel Cell Products	$ 32,784	$ 24,142
Contract Automotive	11,271	9,170
Material Products	20,964	13,410
	$ 65,019	$ 46,722
Segment income (loss) for the year [(1)]		
Fuel Cell Products	$ (8,797)	$ (11,553)
Contract Automotive	1,870	1,236
Material Products	7,689	2,315
Total	762	(8,002)
Corporate amounts		
Research and product development	(14,363)	(12,699)
General and administrative	(13,315)	(10,801)
Sales and marketing	(8,861)	(7,203)
Restructuring and related costs	(285)	(6,229)
Acquisition charges	(243)	(529)
Depreciation and amortization	(6,454)	(6,580)
Investment and other income	128	5,995
Interest expense	(974)	–
Gain on sale of assets	4,765	34,419
Equity gain in associated companies	–	8,364
Loss before income taxes	$ (38,840)	$ (3,265)

[(1)] Research and product development costs directly related to segments are included in segment income (loss) for the year.

20. Segmented financial information (cont'd):

As at December 31, 2010 and 2009, of total goodwill of $48,106,000, $46,291,000 was allocated to the Fuel Cell Products segment, and $1,815,000 to the Material Products segment.

In 2010, sales to a single customer of $16,359,000 exceeded 10% of total revenue, of which $8,107,000 were included in revenues from the Fuel Cell Products segment and $8,252,000 were included in revenues from the Contract Automotive segment. In addition, sales to a single customer group of $13,586,000 in the Material Products segment exceeded 10% of total revenue.

In 2009, revenues from the Fuel Cell Products segment included sales to one customer that exceeded 10% of total revenue in the amount of $8,093,000. Revenues from the Contract Automotive segment included sales to one customer that exceeded 10% of total revenue in the amount of $6,244,000.

As at December 31, 2010 accounts receivable of $1,665,000 for a single customer exceeded 10% of total accounts receivable, of which $1,365,000 relates to the Fuel Cell Products segment and $300,000 relates to the Contract Automotive segment. In addition, a single customer also exceeded 10% of total accounts receivable as at December 31, 2010 in the amount of $2,735,000, relating to the Fuel Cell Products segment.

Revenues and capital asset information by geographic area, as at and for the years ended December 31, is as follows:

	2010		2009	
	Revenues	Property, plant and equipment and goodwill	Revenues	Property, plant and equipment and goodwill
Canada	$ 5,070	$ 74,672	$ 6,246	$ 76,746
U.S.	31,179	9,700	30,347	10,621
Germany	17,465	59	4,879	59
U.K.	5,733	–	132	–
Denmark	1,048	381	–	–
Japan	–	–	485	–
Other countries	4,524	–	4,633	–
	$ 65,019	$ 84,812	$ 46,722	$ 87,426

Revenues are attributed to countries based on customer location.

21. Financial instruments:

(a) Fair Value:

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivables, long-term investments, accounts payable and accrued liabilities, and obligations under capital lease. The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments. The fair value of long-term investments accounted for on the cost basis is not practical to determine because none of the investments are publicly traded. The interest rates applied to the obligations under capital lease are not considered to be materially different from market rates, thus the carrying value of obligations under capital lease approximate fair value. The carrying value of cash equivalents and short-term investments equal their fair values as they are classified as held for trading.

Fair value measurements recognized in the balance sheet must be categorized in accordance with the following levels:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2: inputs other than quoted prices included in Level 1 that areobservable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices);
(iii) Level 3: inputs for the asset or liability that are not based on observablemarket data (unobservable inputs).

The Corporation categorized the fair value measurement of its cash, cash equivalents and short-term investments in Level 1 as they are primarily derived directly from reference to quoted (unadjusted) prices in active markets.

(b) Financial risk management:

The Corporation primarily has exposure to currency exchange rate risk, interest rate risk and credit risk. These risks arise primarily from the Corporation's holdings of U.S. and Canadian dollar denominated cash and cash equivalents and short-term investments.

	2010				2009			
	Canadian dollar portfolio[1]	U.S. dollar portfolio	Other[1]	Total	Canadian dollar portfolio[1]	U.S. dollar portfolio		Total
Cash and cash equivalents	$ 17,771	$ 30,947	$ 1,231	$ 49,949	$ 9,191	$ 34,108	$	43,299
Short-term investments	8,480	16,016	–	24,496	11,059	27,873		38,932
Total cash, cash equivalents and short-term investments	$ 26,251	$ 46,963	$ 1,231	$ 74,445	$ 20,250	$ 61,981	$	82,231

[1] U.S. dollar equivalent

21. Financial instruments (cont'd):

(b) Financial risk management (cont'd):

Changes arising from these risks could impact the Corporation's reported investment and other income through either changes to investment income or foreign exchange gains or losses (note 15).

The Corporation did not realize any material gains or losses on its accounts receivable or its financial liabilities measured at amortized cost.

(i) Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to currency risks primarily due to its holdings of Canadian dollar denominated cash equivalents and short-term investments and its Canadian dollar denominated accounts payable and accrued liabilities, accrued warranty liabilities, and obligations under capital lease. Substantially all revenues and the related accounts receivable are denominated in U.S. dollars.

The Corporation limits its exposure to foreign currency risk by holding Canadian denominated cash, cash equivalents and short-term investments in amounts up to 100% of forecasted twelve month Canadian dollar net expenditures and up to 50% of the following twelve months of forecasted Canadian dollar net expenditures, thereby creating a natural hedge. Periodically, the Corporation also enters into forward foreign exchange contracts to further limit its exposure. At December 31, 2010, the Corporation had Canadian dollar cash, cash equivalents and short-term investments of CDN $26,109,000, and no outstanding forward foreign exchange contracts.

The following exchange rates applied during the year ended December 31, 2010:

	$U.S. to $1.00 CDN	$CDN to $1.00 $U.S.
January 1, 2010 Opening rate	$ 0.951	$ 1.051
December 31, 2010 Closing rate	1.005	0.995
Fiscal 2010 Average rate	0.971	1.030

Based on cash, cash equivalents and short-term investments held at December 31, 2010, a 10% increase in the Canadian dollar against the U.S. dollar, with all other variables held constant, would result in an increase in foreign exchange gains of approximately $2,625,000. If the Canadian dollar weakened 10% against the U.S. dollar, there would be an equal, and opposite impact, on net income. This sensitivity analysis includes foreign currency denominated monetary items, and adjusts their translation at year-end, for a 10% change in foreign currency rates.

21. Financial instruments (cont'd):

(b) Financial risk management (cont'd):

(ii) Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk arising primarily from fluctuations in interest rates on its cash, cash equivalents and short-term investments. The Corporation limits its exposure to interest rate risk by continually monitoring and adjusting portfolio duration to align to forecasted cash requirements and anticipated changes in interest rates.

Based on cash, cash equivalents and short-term investments at December 31, 2010, a 0.25% decline in interest rates, with all other variables held constant, would result in a decrease in investment income $186,000, arising mainly as a result of an increase in the fair value of fixed rate financial assets classified as held-for-trading. If interest rates had been 0.25% higher, there would be an equal and opposite impact on net income.

(iii) Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash equivalents, short-term investments and accounts receivable. The Corporation limits its exposure to credit risk on cash equivalents and short-term investments by only investing in liquid, investment grade securities. The Corporation manages its exposure to credit risk on accounts receivable by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts, and continuously monitors these exposures.

(iv) Commodity risk is the risk of financial loss to the Corporation due to fluctuations in platinum prices. To manage its exposure to platinum price fluctuations, the Corporation includes platinum pricing adjustments directly into certain significant customer contracts in addition to entering into platinum forward contracts. Forward contracts are recorded at their fair value as either assets or liabilities on the balance sheet. At December 31, 2010, the Corporation had outstanding platinum forward contracts to purchase a total of $3,100,000 of platinum at an average rate of $1,738 per troy ounce, resulting in an unrealized gain of $90,000.

Based on the outstanding platinum forward contracts held at December 31, 2010, a $100 increase in the market price of platinum will result in a gain of $180,000 charged to income. If the market price of platinum declines by $100, there would be an equal, and opposite impact, on net income.

22. Capital disclosures:

As at December 31, 2010, the Corporation considers its cash, cash equivalents and short-term investments as its capital. The Corporation does not have any bank debt or significant externally imposed capital requirements to which it is subject. The Corporation's objectives when managing capital are to manage its capital with strong fiscal discipline; focus on markets with high product and service revenue growth potential; license technology in cases where it is advantageous to the Corporation; and access available government funding for research and development projects. The Corporation's current financing principle is to maintain cash balances sufficient to fund at least six quarters of operating cash consumption at all times.

23. Differences between Canadian and United States accounting principles and practices:

These consolidated financial statements have been prepared in accordance with Canadian GAAP which differ in certain respects from those principles and practices that the Corporation would have followed had its consolidated financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States ("U.S. GAAP").

(a) Under Canadian GAAP, the adoption of the U.S. dollar in 2001 as the presentation and measurement currency was implemented by translating all prior year financial statement amounts at the foreign exchange rate on December 31, 2001. Under U.S. GAAP, a change in presentation and measurement currency is implemented retroactively, such that prior period financial statements are translated under the current rate method using foreign exchange rates in effect on those dates. As a result, there is a difference in the share capital, additional paid-in capital, accumulated deficit and accumulated other comprehensive income amounts under U.S. GAAP as compared to Canadian GAAP.

(b) Under Canadian GAAP, the Corporation has accounted for funding received in prior years under the TPC agreement in accordance with specific pronouncements on accounting for government assistance by reducing research and product development expenses, cost of revenues, inventory and capital assets by the amount of the funding received.

Under U.S. GAAP, there are no authoritative accounting standards addressing the various types of government assistance programs. Since the TPC funding combines the characteristics of a grant with some characteristics of a debt instrument, the Corporation has recorded the entire funding as long-term debt under U.S. GAAP. In addition, the U.S. GAAP liability is a Canadian dollar denominated liability and, as a result, foreign exchange gains and losses are incurred.

23. Differences between Canadian and United States accounting principles and practices (cont'd):

During the year, the Corporation expensed $223,000 (2009 - $4,293,000) in TPC repayments under Canadian GAAP which would be treated as a reduction in the liability for U.S. GAAP.

(c) Under Canadian GAAP, the Corporation is required to account for gains and losses on the issuance of shares by a subsidiary or other entity which the Corporation accounts for on an equity basis, as a component of income. Under U.S. GAAP, the effect of such dilution gains are recorded in equity as an increase in paid-in capital rather than as income.

(d) Prior to 2002, under Canadian GAAP, no compensation expense was recorded for employee share option plans under the intrinsic value method. A previous option exchange plan was accounted for as a variable option plan under U.S. GAAP. Prior to the Corporation's 100% acquisition of Ballard Generation Systems Inc. ("BGS") in 2003, minority interest under U.S. GAAP included the minority interest's percentage share of compensation expense under variable plan accounting. The balance of the purchase price allocated to goodwill from the acquisition of the minority interest in BGS reflects this difference under U.S. GAAP.

(e) Under Canadian GAAP, investments where no significant influence exists are accounted for using the cost method. Under U.S. GAAP, investments in limited partnerships such as Chrysalix are accounted for using the equity method. In 2008, Chrysalix was written down to its estimated net realizable value and there is no difference in the carrying value of such investment as of December 31, 2010 and 2009 between Canadian and U.S. GAAP.

(f) Under U.S. GAAP, no sub-total would be provided in the operating section of the consolidated statement of cash flows. There are no other differences in operating, investing and financing cash flows.

23. Differences between Canadian and United States accounting principles and practices (cont'd):

Under U.S. GAAP, these differences would have been reported in the consolidated balance sheets, consolidated statements of operations and comprehensive income (loss), and consolidated statements of shareholders' equity as follows:

Consolidated condensed balance sheets:

	2010			2009		
	Canadian GAAP	Difference	U.S. GAAP	Canadian GAAP	Difference	U.S. GAAP
Current assets	$ 99,398	$ –	$ 99,398	$ 106,416	$ –	$ 106,416
Property, plant and equipment	36,706	–	36,706	39,320	–	39,320
Intangible assets	2,975	–	2,975	824	–	824
Goodwill (d)	48,106	490	48,596	48,106	490	48,596
Investments (e)	673	–	673	632	–	632
Long-term accounts receivable	1,596	–	1,596	–	–	–
Other long-term assets	334	–	334	50	–	50
	$ 189,788	$ 490	$ 190,278	$ 195,348	$ 490	$ 195,838
Current liabilities	$ 35,091	$ –	$ 35,091	$ 30,057	$ –	$ 30,057
Long-term liabilities (b)	4,432	38,245	42,677	4,632	36,404	41,036
Deferred gain	9,036	–	9,036	–	–	–
Obligation under capital lease	13,354	–	13,354	1,739	–	1,739
	61,913	38,245	100,158	36,428	36,404	72,832
Shareholders' equity:						
Ballard Power Systems Inc. shareholders' equity						
Share capital (a)	836,245	119,583	955,828	835,565	119,583	955,148
Treasury shares	(670)	–	(670)	(207)	–	(207)
Additional paid-in capital (a)(c)	288,618	86,929	375,547	284,510	86,929	371,439
Accumulated deficit	(995,669)	(168,626)	(1,164,295)	(960,712)	(166,785)	(1,127,497)
Accumulated other comprehensive income (a)	(236)	(75,641)	(75,877)	(236)	(75,641)	(75,877)
Ballard Power Systems Inc. shareholders' equity	128,288	(37,755)	90,533	158,920	(35,914)	123,006
Dantherm Power A/S non-controlling interests	(413)	–	(413)	-	–	–
Total shareholders' equity	127,875	(37,755)	90,120	158,920	(35,914)	123,006
	$ 189,788	$ 490	$ 190,278	$ 195,348	$ 490	$ 195,838

23. Differences between Canadian and United States accounting principles and practices (cont'd):

	2010	2009
Loss attributable to Ballard Power Systems Inc. under Canadian GAAP	$ (34,936)	$ (3,258)
Research and development (b)	223	4,293
Foreign exchange loss (b)	(2,064)	(4,808)
Net loss and comprehensive loss attributable to Ballard Power Systems Inc. in accordance with U.S. GAAP	$ (36,777)	$ (3,773)
Basic and diluted loss per share, U.S. GAAP	$ (0.44)	$ (0.05)

Consolidated statements of shareholder's equity

	Ballard Power Systems Inc. shareholders' equity						
	Share capital	Treasury shares	Additional paid-in capital	Accumualted deficit	Accumulated other comprehensive income (loss)	Dantherm Power A/S Non-controlling interests	Total shareholders' equity
Balance, December 31, 2008	$ 952,294	$ –	$ 370,395	$ (1,123,724)	$ (75,877)	$ –	$ 123,088
Net Loss	–	–	–	(3,773)	–	–	(3,773)
Non-dilutive financing	–	–	(719)	–	–	–	(719)
Purchase of treasury shares	–	(207)	–	–	–	–	(207)
RSUs and DSUs redeemed	1,126	–	(1,283)	–	–	–	(157)
Options exercised	7	–	–	–	–	–	7
Share distribution plan	1,721	–	3,046	–	–	–	4,767
Balance, December 31, 2009	$ 955,148	$ (207)	$ 371,439	$ (1,127,497)	$ (75,877)	$ –	$ 123,006
Acquisition of Dantherm Power	–	–	–	–	–	3,543	3,543
Additional investment in Dantherm Power	–	–	915	–	–	(49)	866
Net loss	–	–	–	(36,777)	–	(3,907)	(40,684)
Non-dilutive financing	–	–	(22)	–	–	–	(22)
Purchase of treasury shares	–	(559)	–	–	–	–	(559)
RSUs and DSUs redeemed	542	96	(800)	(21)	–	–	(183)
Options exercised	138	–	(47)	–	–	–	91
Share distribution plan	–	–	4,062	–	–	–	4,062
Balance, December 31, 2010	$ 955,828	$ (670)	$ 375,547	$ (1,164,295)	$ (75,877)	$ (413)	$ 90,120

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the consolidated results of Ballard Power Systems Inc. ("Ballard", "the Company", "we", "us" or "our") dated March 8, 2011 should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2010. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in U.S. dollars unless otherwise stated. The effect of significant differences between Canadian and U.S. GAAP has been disclosed in note 23 to the Consolidated Financial Statements for the year ended December 31, 2010.

Additional information relating to the Company, including our Annual Information Form, are filed with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov) and are also available on our website at www.ballard.com.

BUSINESS OVERVIEW

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in proton exchange membrane ("PEM") fuel cell development and commercialization. Our principal business is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on motive power (material handling and buses) and stationary power (backup power and distributed generation) markets.

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from water through electrolysis. As long as fuel is supplied, the fuel cell produces electricity efficiently and continuously without combustion, with water and heat as the main by-products when hydrogen is used as the fuel source. Ballard® fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, modular design and environmental cleanliness.

Over the past three years, we have continued to focus on our core fuel cell business and on markets with near-term commercial prospects.

We completed our exit from the automotive business by selling our automotive fuel cell research and development assets to AFCC Automotive Fuel Cell Cooperation Corp. ("AFCC") on January 31, 2008 (the "AFCC Transaction"). The purpose of the AFCC Transaction was to decrease our investment in automotive fuel cell research and development due to its high cost, uncertainties surrounding government mandates relating to adoption and deployment of automotive fuel cell powered vehicles, the lengthening timeline to automotive fuel cell commercialization, and the negative impacts of these factors on our production volumes and revenues. The AFCC Transaction allowed us to focus our efforts on the development and commercialization of fuel cells for non-automotive applications and buses. In addition, we have continued involvement with automotive products and services for Daimler AG ("Daimler") and AFCC on a contract basis under which we are paid on a profitable basis. Under the terms of the AFCC Transaction, we retained a 19.9%

interest in AFCC, which is subject to a Share Purchase Agreement under which Ford, either at our option or Ford's election, could purchase our interest in AFCC at any time on or after January 31, 2013 for $65 million plus interest accruing at LIBOR from January 31, 2008.

In May 2009, we decided to discontinue operations in EBARA Ballard Corporation ("EBARA BALLARD"), our joint venture with Ebara Corporation ("Ebara"), as it became evident that the timeframe to commercialization for the residential cogeneration market in Japan was longer than anticipated, and due to an increasing investment requirement for continued system development work. On our decision to discontinue operations in 2009, we recorded a non-cash gain of $10.8 million (see note 12 to our consolidated financial statements). EBARA BALLARD was formally dissolved in October 2009.

Following the completion of these strategic dispositions, we have focused on bolstering our cash reserves and liquidity to strengthen our capability to execute on our clean energy growth priorities without the need for public market financing.

In December 2008, we executed a transaction to extract value from our tax attributes through a restructuring agreement ("Arrangement") with Superior Plus Income Fund ("Superior Plus") resulting in a non-dilutive financing for net cash proceeds of approximately $33 million (see note 3 to our consolidated financial statements).

In December 2009, we completed an agreement with a financial institution to monetize our rights under the above noted Share Purchase Agreement with Ford for $37.0 million and a contingent payment of $7.5 million, resulting in a net gain on sale of assets of $34.3 million in 2009. The contingent payment of $7.5 million was subsequently monetized and extinguished in July 2010 for $5.0 million, resulting in an additional net gain on sale of assets of $4.8 million in 2010 (see note 9 to our consolidated financial statements).

In March 2010, we completed a sale and leaseback agreement with Madison Pacific Properties Inc. ("Madison") to further bolster our cash reserves. On the closing of this transaction on March 9, 2010, we sold our head office building in Burnaby, British Columbia in return for gross cash proceeds of $20.4 million (Canadian $20.8 million). We then leased this property back from Madison for an initial 15-year term plus two renewal options. On the closing of this transaction, we recorded a deferred gain of $9.5 million which will be recognized to income on a straight-line basis over the term of the 15-year lease. Due to the long term nature of the lease, the leaseback of the building qualifies as a capital lease. As a result, we have recorded assets under capital lease of $12.2 million, and a corresponding obligation under capital lease, representing the net present value of the minimum lease payments at the inception of the lease (see note 4 to the consolidated financial statements).

On January 18, 2010, we acquired a controlling interest (the "Acquisition") in Denmark-based Dantherm Power A/S ("Dantherm Power"), partnering with co-investors Dantherm A/S and Danfoss Ventures A/S. In exchange for an initial investment of 15.0 million Danish Kroner, or approximately $2.9 million, we obtained

a 45% interest in Dantherm Power including the right to nominate a majority of the members of the Board of Directors. Through our ability to elect a majority of the members of the Dantherm Power board, who have the power to determine the strategic operating, investing and financing policies of Dantherm Power, we held effective control over Dantherm Power as of the date of the initial investment. As a result, all assets, liabilities and results of operations of Dantherm Power are consolidated and have been included in our Consolidated Financial Statements for the year ended December 31, 2010. Non-Ballard ownership interests in Dantherm Power are shown as non-controlling interests. On August 31, 2010 we, together with the minority shareholders Dantherm A/S and Danfoss Ventures A/S completed the second tranche of our agreed upon investment in Dantherm Power. In accordance with the terms of the initial acquisition agreement, of the total second tranche investment of 20.0 million Danish Kroner, we made our required investment of 15.0 million Danish Kroner, or approximately $2.6 million, and in return received an additional 7% interest in Dantherm Power, resulting in our now holding a 52% total equity interest. Dantherm Power is focused on the development and production of commercially viable fuel cell-based backup power systems for use in IT and telecom network base stations. Dantherm Power's results are reported in our core Fuel Cell Products segment (see note 2 to the consolidated financial statements).

We are focused on building a clean energy fuel cell solutions company. We provide our customers the positive economic and environmental benefits unique to fuel cell power. We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading fuel cell products to meet the needs of our customers in select target markets. We are focused on our core competencies of PEM fuel cell design, development, manufacture, sales and service. We are based in Canada, with head office, research and development, testing and manufacturing facilities in Burnaby, British Columbia. In addition, we have sales, research and development and manufacturing facilities in Lowell, Massachusetts and Hobro, Denmark. We report our results in the following reporting units:

1. *Fuel Cell Products (core segment)*: fuel cell products and services for motive power (material handling and bus markets) and stationary power (backup power and distributed generation markets) applications;

2. *Contract Automotive (supporting segment)*: contract technical and manufacturing services provided primarily for Daimler, Ford and AFCC.

3. *Material Products (supporting segment)*: carbon fiber products primarily for automotive transmissions and gas diffusion layers ("GDLs") for fuel cells.

SELECTED ANNUAL FINANCIAL INFORMATION

Years ended December 31 (Expressed in thousands of U.S. dollars, except per share amounts)

	2010	2009	2008
Product and service revenues	$ 65,019	$ 46,722	$ 52,726
Engineering development revenue	–	–	6,854
Revenues	$ 65,019	$ 46,722	$ 59,580
Net income (loss) attributable to Ballard	$ (34,936)	$ (3,258)	$ 31,456
Net income (loss) per share attributable to Ballard	$ (0.42)	$ (0.04)	$ 0.37
Adjusted EBITDA (1)	$ (25,988)	$ (38,977)	$ (35,753)
Cash, cash equivalents and short-term investments	$ 74,445	$ 82,231	$ 85,399
Total assets	$ 189,788	$ 195,348	$ 208,443

1 Adjusted EBITDA is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section.

RESULTS OF OPERATIONS – Fourth Quarter of 2010

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2010	**2009**	$ Change	% Change
Fuel Cell Products	**$ 13,336**	$ 7,687	$ 5,649	73%
Contract Automotive	**3,401**	4,485	(1,084)	(24%)
Material Products	**4,346**	4,344	2	–%
Revenues	**21,083**	16,516	4,567	28%
Cost of goods sold	**15,975**	14,159	1,816	13%
Gross Margin	**$ 5,108**	$ 2,357	$ 2,751	n/a
Gross Margin %	**24%**	14%	n/a	n/a

Our revenues for the fourth quarter of 2010 increased 28%, or $4.6 million, to $21.1 million, compared to $16.5 million for the fourth quarter of 2009. Increases in our Fuel Cell Products segment of $5.6 million combined with steady results in our Material Products segment more than offset declines in our Contract Automotive segment of $1.1 million.

In our core Fuel Cell Products business segment, fourth quarter of 2010 revenues improved 73%, or $5.6 million, to $13.3 million compared to the fourth quarter of 2009 as sales increased in all of our markets. Fuel cell bus market revenues increased as a result of new shipments to the Transport for London fuel cell bus program and increased shipments to Daimler AG whereas material handling market revenues improved due to increased shipments to support Plug Power Inc.'s GenDrive™ systems. In our backup power market, revenues increased due to higher shipments and increased work performed on engineering service projects, combined with the acquisition, and subsequent consolidation, of Dantherm Power's operating results.

Declines in our Contract Automotive segment of $1.1 million resulted from lower shipments of FCvelocity 1100 fuel cell products for Daimler AG's Hyway 2/3 programs. Material Products segment revenues were consistent quarter over quarter as increased volumes of fuel cell GDL shipments were offset by lower carbon friction material product revenues.

Gross margins increased to $5.1 million, or 24% of revenues, for the fourth quarter of 2010, compared to $2.4 million, or 14% of revenues, for the fourth quarter of 2009. The increase in gross margin is primarily as a result of increased shipments of higher margin fuel cell bus units combined with improved mix of our backup power products and improved warranty performance on our material handling and fuel cell bus products.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)

	Three months ended December 31,							
	2010 Ballard	**2010 Dantherm Power**	**2010**	**2009**	**Ballard $ Change**	**Ballard % Change**	**Total $ Change**	**Total % Change**
Research and Product Development	$ 4,738	$ (399)	**$ 4,339**	$ 5,495	$ (757)	(14%)	$ (1,156)	(21%)
General and Administration	3,511	380	**3,891**	2,803	$ 708	25%	1,088	39%
Sales and Marketing	1,822	735	**2,557**	1,914	$ (92)	(1%)	643	34%
Operating costs	**10,071**	**716**	**10,787**	**10,212**	**$ (141)**	**(1%)**	**575**	**6%**
Less: Stock-based compensation	(1,182)	-	**(1,182)**	(860)	$ (322)	(37%)	(322)	(37%)
Cash Operating Costs	**$ 8,889**	**$ 716**	**$ 9,605**	**$ 9,352**	**$ (463)**	**(5%)**	**$ 253**	**3%**

1 Cash Operating Costs is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for the fourth quarter of 2010 were $9.6 million, an increase of $0.3 million, or 3%, compared to the fourth quarter of 2009. Excluding Dantherm Power, Cash Operating Costs declined $0.5 million, or 5%, to $8.9 million. The 5% reduction in the fourth quarter of 2010 was primarily as a result of the narrowing of our research efforts, the aggressive pursuit of government funding for our programs, and the redirection of engineering resources to revenue bearing engineering service projects. Government research funding is reflected as a cost offset to research and product development expenses. These expense reductions were partially offset by a provision for allowance for doubtful accounts of $0.6 million included in general and administrative expense, and by the negative effects of a 5% stronger Canadian dollar relative to the U.S. dollar on our Canadian operating cost base.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Adjusted EBITDA	**2010**	2009	$ Change	% Change
Adjusted EBITDA	**$ (3,126)**	$ (6,443)	$ 3,317	51%
Adjusted EBITDA attributable to controlling interest in Dantherm Power	**$ (229)**	$ -	$ (229)	n/a
Adjusted EBITDA attributable to Ballard Power Systems Inc., excluding Dantherm Power	**$ (2,897)**	$ (6,443)	$ 3,546	55%

1 Adjusted EBITDA is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for the fourth quarter of 2010 improved 51%, or $3.3 million, to ($3.1) million, compared to ($6.4) million in the fourth quarter of 2009. Adjusted EBITDA, excluding the impact related to our controlling ownership interest in Dantherm Power of ($0.2) million, improved 55%, or $3.5 million, to ($2.9) million.

The $3.3 million, or 51%, improvement in Adjusted EBITDA in the fourth quarter of 2010 was driven by gross margin improvements of $2.8 million as a result of the 28% increase in revenues, combined with the overall increase in gross margin as a percentage of revenues from 14% to 24%. The gross margin improvement was partially offset by higher Cash Operating Costs of $0.3 million, or 3%, due primarily to the acquisition of Dantherm Power.

Net income (loss)

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Net income (loss)	**2010**	2009	$ Change	% Change
Net income (loss) attributable to Ballard Power Systems Inc.	**$ (8,430)**	$ 25,634	$ (34,064)	(133%)
Net loss attributable to controlling interest in Dantherm Power	**(325)**	-	(325)	n/a
Net income (loss) attributable to Ballard Power Systems Inc., excluding Dantherm Power	$ **(8,105)**	$ 25,634	$ (33,739)	(132%)

Net loss attributable to Ballard for the fourth quarter of 2010 was ($8.4) million, or ($0.10) per share, compared to net income of $25.6 million, or $0.31 per share, in the fourth quarter of 2009. Net income in the fourth quarter of 2009 was significantly impacted by the positive effect of a gain on sale of assets of $34.3 million resulting from the initial monetization of the Share Purchase Agreement with Ford whereas net loss in the fourth quarter of 2010 includes the negative impact of our controlling interest in Dantherm Power of $0.3 million.

Cash provided by operating activities

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Cash provided by operating activities	**2010**	2009	$ Change	% Change
Cash provided by operating activities	**$ 1,995**	$ 1,578	417	26%
Cash provided by operating activities attributable to Dantherm Power	**$ 123**	$ –	123	n/a
Cash provided by operating activities, excluding Dantherm Power	**$ 1,872**	$ 1,578	$ 294	19%

Cash provided by operating activities in the fourth quarter of 2010 increased by $0.4 million to $2.0 million, compared to $1.6 million in the fourth quarter of 2009. Cash provided by operating activities, excluding the impact of Dantherm Power of $0.1 million, improved by $0.3 million to $1.9 million.

The improved cash flow from operating activities in the fourth quarter of 2010 of $0.3 million, excluding the results of Dantherm Power, was driven by lower cash operating losses of $0.8 million partially offset by lower working capital improvements of $0.5 million.

The cash provided by operating activities of Dantherm Power of $0.1 million in the fourth quarter of 2010 has improved from ($1.6) million used in the third quarter of 2010, ($2.0) million used in the second quarter of 2010 and ($2.8) million used in the first quarter of 2010. In order to reduce potential future funding requirements, Dantherm Power initiated cost reduction efforts in the third quarter of 2010 including a 25% workforce reduction (8 positions).

RESULTS OF OPERATIONS – 2010

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Years ended December 31,			
	2010	2009	$ Change	% Change
Fuel Cell Products	**$ 32,784**	$ 24,142	$ 8,642	36%
Contract Automotive	**11,271**	9,170	2,101	23%
Material Products	**20,964**	13,410	7,554	56%
Revenues	**65,019**	46,722	18,297	39%
Cost of goods sold	**54,808**	40,795	14,013	34%
Gross Margin	**$ 10,211**	$ 5,927	$ 4,284	n/a
Gross Margin %	**16%**	13%	n/a	n/a

Our revenues for the year ended December 31, 2010 increased 39% (meeting our guidance target for growth in excess of 35%), or $18.3 million, to $65.0 million, compared to $46.7 million for 2009. Increases in our Fuel Cell Products segment of $8.6 million combined with increases in our Contract Automotive segment of $2.1 million and increases in our Material Products segment of $7.6 million.

In our core Fuel Cell Products business segment, 2010 revenues increased 36%, or $8.6 million, to $32.8 million compared to 2009. Significantly higher material handling revenues as a result of increased shipments to support Plug Power Inc.'s GenDrive™ systems and increased shipments of hydrogen-based units in our backup power market drove the increase. Fuel cell bus market revenues improved slightly in 2010 as new shipments to Daimler AG, Transport for London, Sunline Transit Agency and Advanced Public Transportation System bv and others were in excess of our 2009 shipments for the B.C. Transit 2010 Olympic ($6.0 million) and Transport of London fuel cell bus programs. Revenues in 2010 were also positively impacted by the consolidation of Dantherm Power's operating results which contributed $2.5 million of revenue.

The following table provides a summary of our fuel cell stack shipments:

	Three months ended December 31,			Year ended December 31,		
	2010	2009	% Change	**2010**	2009	% Change
Material handling	**345**	102	238%	**1,100**	182	504%
Backup power	**706**	409	73%	**1,716**	1,225	40%
Other	**68**	40	70%	**198**	69	187%
Fuel Cell Stack Shipments	**1,119**	551	103%	**3,014**	1,476	104%

In our supporting Contract Automotive and Material Products business segments, 2010 revenues increased 43%, or $9.7 million, to $32.2 million compared to 2009. Improvements in our Contract Automotive segment of $2.1 million, or 23%, resulted from increased contract manufacturing of FCvelocity 1100 fuel cell products for Daimler AG's Hyway 2/3 programs partially offset by lower automotive testing and engineering services provided to AFCC. Improvements in our Material Products segment of $7.6 million, or 56%, represents increased volumes of carbon friction material products related to the recovery in the U.S. automotive sector in 2010 combined with increased shipments of fuel cell GDL products.

Gross margins increased to $10.2 million, or 16% of revenues, for 2010 compared to $5.9 million, or 13% of revenues, for 2009. The increase in gross margin is primarily a result of increased shipments of carbon fiber products and light-duty automotive products combined with improved margins on our backup power products and improved warranty performance on our material handling and fuel cell bus products. Gross margins in 2009 were also negatively impacted by more aggressive product pricing on our back-up power products in order to encourage market adoption.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Year ended December 31,							
	2010 Ballard	**2010 Dantherm Power**	**2010**	**2009**	**Ballard $ Change**	**Ballard % Change**	**Total $ Change**	**Total % Change**
Research and Product Development	$ 20,228	$ 3,584	**$ 23,812**	$ 26,628	$ (6,400)	(24%)	$ (2,816)	(11%)
General and Administration	11,572	1,743	**13,315**	10,801	$ 771	7%	2,514	23%
Sales and Marketing	7,482	1,379	**8,861**	7,203	$ 279	4%	1,658	23%
Operating costs	**39,282**	**6,706**	**45,988**	**44,632**	**$ (5,350)**	**(12%)**	**1,356**	**3%**
Less: Stock-based compensation	(4,057)	-	**(4,057)**	(3,033)	$ (1,024)	(34%)	(1,024)	(34%)
Cash Operating Costs	**$ 35,225**	**$ 6,706**	**$ 41,931**	**$ 41,599**	**$ (6,374)**	**(15%)**	**$ 332**	**1%**

1 Cash Operating Costs is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for 2010 were $41.9 million, an increase of $0.3 million, or 1%, compared to 2009. Excluding Dantherm Power's Cash Operating Costs of $6.7 million, Cash Operating Costs declined $6.4 million, or 15%, to $35.2 million. This 15% reduction is due primarily to a 7% workforce reduction initiated in March 2009 and a 20% workforce reduction initiated in August 2009 combined with the narrowing of our research efforts and the aggressive pursuit of government funding for our programs. Government research funding is reflected as a cost offset to research and product development expenses. These expense reductions in 2010 were partially offset by a provision for allowance for doubtful accounts of $0.7 million included in general and administrative expense, increased investment in sales and marketing capacity in support of commercial efforts, and by the negative effects of a 10% stronger Canadian dollar relative to the U.S. dollar on our Canadian operating cost base.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
EBITDA and Adjusted EBITDA	**2010**	2009	$ Change	% Change
Adjusted EBITDA	**$ (25,988)**	$ (38,977)	$ 12,989	33%
Adjusted EBITDA attributable to controlling interest in Dantherm Power	**$ (2,637)**	$ –	$ (2,637)	n/a
Adjusted EBITDA attributable to Ballard Power Systems Inc., excluding Dantherm Power	**$ (23,351)**	$ (38,977)	$ 15,626	40%

1 Adjusted EBITDA is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for 2010 improved 33%, or $13.0 million, to ($26.0) million, compared to ($39.0) million in 2009. Adjusted EBITDA, excluding the impact related to our controlling ownership interest in Dantherm Power of ($2.6) million, improved 40%, or $15.6 million, to ($23.4) million.

The $13.0 million, or 33%, improvement in Adjusted EBITDA in the 2010 was assisted by gross margin improvements of $4.3 million as a result of the 39% increase in revenues, combined with the overall increase in gross margin as a percentage of revenues from 13% to 16%. Cash Operating Costs were held steady in 2010 as the benefits of a 7% workforce reduction initiated in March 2009 and a 20% workforce reduction initiated in August 2009 were offset by the acquisition and consolidation of Dantherm Power's Cash Operating Costs of $6.7 million and the negative impacts of a 10% stronger Canadian dollar relative to the U.S. dollar on our Canadian operating cost base. Adjusted EBITDA for 2009 also includes restructuring and related expenses of $6.2 million relating to the above noted workforce reductions.

Net loss

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Net loss	**2010**	2009	$ Change	% Change
Net loss attributable to Ballard Power Systems Inc.	**$ (34,936)**	$ (3,258)	$ (31,678)	(972%)
Net loss attributable to controlling interest in Dantherm Power	**(3,411)**	–	$ (3,411)	n/a
Net loss attributable to Ballard Power Systems Inc., excluding Dantherm Power	$ **(31,525)**	$ (3,258)	$ (28,267)	(868%)

Net loss attributable to Ballard for the year ended December 31, 2010 was ($34.9) million, or ($0.42) per share, compared to ($3.3) million, or ($0.04) per share, in 2009.

Net loss in 2009 was significantly impacted by the positive effect of a gain on sale of assets of $34.3 million resulting from the initial monetization of the Share Purchase Agreement with Ford and a non-cash gain of $10.8 million related to our decision to discontinue operations in EBARA BALLARD in May 2009. Net loss in 2010 includes the negative impact of our controlling interest in Dantherm Power of $3.4 million and the positive impact of a gain on sale of assets of $4.8 million related to the stub period monetization of the Share Purchase Agreement with Ford.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Cash used in operating activities	**2010**	2009	$ Change	% Change
Cash used in operating activities	**$ (29,312)**	$ (26,962)	(2,350)	(9%)
Cash used in operating activities attributable to Dantherm Power	**$ (6,192)**	$ –	(6,192)	n/a
Cash used in operating activities, excluding Dantherm Power	**$ (23,120)**	$ (26,962)	$ 3,842	14%

Cash used in operating activities in the year ended December 31, 2010 increased by ($2.4) million to ($29.3) million, compared to ($27.0) million for 2009. On a comparable year-over-year basis, excluding the negative impact of Dantherm Power of ($6.2) million and the negative impacts of a 10% stronger Canadian dollar relative to the U.S. dollar on our Canadian operating cost base of approximately ($4.0) million, cash flow from operations would have been ($19.1) million, an improvement of approximately 30% over 2009, meeting guidance.

The reduced cash used in operating activities in 2010 of $3.8 million, excluding the results of Dantherm Power, was driven by lower cash operating losses of $9.3 million as a result of lower operating expenses and higher gross margins, partially offset by lower working capital improvements of $5.4 million in 2010 as compared to 2009.

The cash used in operating activities of Dantherm Power of ($6.2) million in 2010 was driven by costs of development work on the new 5kW direct hydrogen backup system. In order to reduce potential future funding requirements, Dantherm Power initiated cost reduction efforts in the third quarter of 2010 including a 25% workforce reduction (8 positions).

RESULTS OF OPERATIONS (Additional details) - 2010

(Expressed in thousands of U.S. dollars)	Year ended December 31,							
	2010 Ballard	**2010 Dantherm Power**	**Total 2010**	**Total 2009**	**Ballard $ Change**	**Ballard % Change**	**Total $ Change**	**Total % Change**
Research and Product Development	$ 20,228	$ 3,584	**$ 23,812**	$ 26,628	$ (6,400)	(24%)	$ (2,816)	(11%)
General and Administration	11,572	1,743	**13,315**	10,801	$ 771	7%	2,514	23%
Sales and Marketing	7,482	1,379	**8,861**	7,203	$ 279	4%	1,658	23%
Operating costs	**39,282**	**6,706**	**45,988**	**44,632**	**$ (5,350)**	**(12%)**	**1,356**	**3%**
Restructuring and related Costs	55	230	**285**	6,229	$ (6,174)	(99%)	(5,944)	(95%)
Acquisition Charges	243	–	**243**	529	$ (286)	(54%)	(286)	(54%)
Depreciation and Amortization	5,759	695	**6,454**	6,580	$ (821)	(12%)	(126)	(2%)
Operating expenses	**$ 45,339**	**$ 7,631**	**$ 52,970**	**$ 57,970**	**$ (12,631)**	**(22%)**	**$ (5,000)**	**(9%)**

Research and product development expenses for 2010 were $23.8 million, a decrease of $2.8 million, or 11%, compared to 2009. Excluding Dantherm Power's expenses of $3.6 million, research and product development expense declined $6.4 million, or 24%. This reduction is due primarily to a 7% workforce reduction initiated in March 2009 and a 20% workforce reduction initiated in August 2009 combined with the narrowing of our research efforts and the aggressive pursuit of government funding for our programs. Government research funding is reflected as a cost offset to research and product development expenses. Expense reductions in 2010 were partially offset by the negative effects of a 10% stronger Canadian dollar relative to the U.S. dollar.

General and administrative expenses for 2010 were $13.3 million, an increase of $2.5 million, or 23%, compared to 2009. Excluding Dantherm Power's expenses of $1.7 million, general and administrative expense increased $0.8 million, or 7%. Reductions due to the above noted workforce reductions initiated in 2009 were offset by a provision for allowance for doubtful accounts of $0.7 million, an adjustment in 2010 to reduce non-cash share compensation expense awarded in 2009 of $0.4 million, the negative effects of a 10% stronger Canadian dollar relative to the U.S. dollar, and increased accounting advisory fees as a result of our upcoming convergence to IFRS.

Sales and marketing expenses for 2010 were $8.9 million, an increase of $1.7 million, or 23% compared to 2009. Excluding Dantherm Power's expenses of $1.4 million, sales and marketing expense increased $0.3 million, or 4%. This increase is due primarily to the negative effects of a 10% stronger Canadian dollar, relative to the U.S. dollar.

Restructuring and related expenses for 2010 were $0.3 million and relate to a 25% workforce reduction initiated at Dantherm Power in August 2010. Restructuring and related expenses for 2009 were $6.2 million and relate to the 20% workforce reduction initiated in August 2009 and the 7% workforce reduction initiated in March 2009.

Acquisition charges for 2010 and 2009 were $0.2 million and $0.5 million, respectively, and relate to costs incurred for the acquisition of Dantherm Power.

Depreciation and amortization expense was $6.5 million for 2010, an increase of $0.1 million, or 2%, compared to 2009. Depreciation and amortization expense in 2010 was impacted by a fourth quarter of 2010 acceleration of depreciation expense of $2.3 million for equipment that was considered no longer in use or impaired. Depreciation and amortization expense for 2009 was impacted by a fourth quarter of 2009 acceleration of amortization expense of $2.5 million for patents that were considered no longer in use. Excluding the impacts above, depreciation and amortization expense was relatively flat as increases as a result of the amortization of intangible assets acquired from Dantherm Power were offset by the impact of certain assets becoming fully depreciated or amortized in 2009. Acquired intangible assets are amortized on a straight-line basis over 5-years.

Investment and other income for 2010 was $0.1 million, compared to $6.0 million for 2009. The following table provides a breakdown of our investment and other income for the reported periods:

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2010	2009	$ Change	% Change
Investment return (loss) less interest cost on employee future benefit plans	**$ (12)**	$ 743	$ (755)	(101%)
Curtailment gain on employee future benefit plans	**–**	1,055	(1,055)	(100%)
Investment income	**247**	387	(140)	(36%)
Foreign exchange gain (loss)	**(407)**	3,187	(3,594)	(113%)
Other income	**300**	623	(323)	(52%)
Investment and other income	**$ 128**	$ 5,995	$ (5,897)	(98%)

Curtailment gain on employee future benefit plans was $1.1 million for 2009 and resulted from a freeze in future benefits of a defined benefit pension plan applicable for our current and former employees in the United States. As a result of the curtailment, there will be no further current service cost related to this defined benefit pension plan.

Investment return (loss) less interest cost on employee future benefit plans was nil for 2010 as the negative impact of a 0.5% decrease in the discount rate on our curtailed defined benefit pension plan for our United States employees was offset by the actual return on plan assets in the year. The gain in 2009 of $0.7 million was primarily a result of a recovery in the capital markets which resulted in increased actual returns on plan assets in the year. We account for future employee benefits using the fair value method of accounting. As a result, employee future benefit plan assets and accrued benefit obligations are recorded at their fair values on each balance sheet date with the actual return on plan assets and any net actuarial gains or losses recognized immediately in the statement of operations. The fair values are determined directly by reference to quoted market prices.

Investment income was $0.2 million for 2010, a decrease of $0.1 million, compared to 2009. The decline in 2010 was a result of lower cash balances. We classify our cash, cash equivalents and short-term investments as held-for-trading and measure these assets at fair value with changes in fair value recognized in income. The fair values are determined directly by reference to quoted market prices.

Foreign exchange gains and losses are attributable to the effect of the changes in the value of the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated net monetary position. The foreign exchange loss in 2010 of $0.4 million resulted primarily from the impact of a strengthening Canadian dollar on our Canadian dollar-denominated net liability position. At December 31, 2010, our Canadian dollar-denominated liabilities (capital lease obligations, warranty obligations and accounts payable and accrued liabilities) exceeded our Canadian dollar-denominated assets (cash and short-term investments). The foreign exchange gain in 2009 of $3.2 million resulted primarily from the impact of a strengthening

Canadian dollar on our Canadian dollar-denominated net asset position. At December 31, 2009, our Canadian dollar-denominated assets exceeded our Canadian dollar-denominated liabilities. Compared to the U.S. dollar, the Canadian dollar strengthened from 1.22 at December 31, 2008 to 1.05 at December 31, 2009 and to 0.99 at December 31, 2010. See note 21 to our consolidated financial statements for additional information about the significance of financial instruments to our financial position and performance, the nature and extent of risks arising from those financial instruments to which we are exposed, and how we manage those risks.

Interest expense was $1.0 million for 2010 and relates primarily to the sale and leaseback of our head office building in Burnaby, British Columbia. Due to the long term nature of the lease, the leaseback of the building qualifies as a capital lease.

Gain on sale of assets was $4.8 million for 2010, compared to $34.3 million for 2009. The 2009 gain of $34.3 million resulting from the initial monetization of the Share Purchase Agreement with Ford whereas the 2010 gain of $4.8 million related to the stub period monetization of the Share Purchase Agreement with Ford. The Share Purchase Agreement with Ford has now been fully monetized.

Equity in income of associated companies for 2009 was $8.4 million. On the announcement of our decision in May 2009 to discontinue operations in EBARA BALLARD, the $10.8 million of historic recorded equity losses in EBARA BALLARD in excess of our net investment in EBARA BALLARD, was reversed to net income. This second quarter of 2009 non-cash gain was partially offset by the share of the losses of EBARA BALLARD of $2.4 million recorded in 2009 prior to the announcement of the discontinuance. EBARA BALLARD was formally dissolved in October 2009.

Net loss attributed to non-controlling interests for 2010 was $3.9 million and represent the non-controlling interest of Dantherm A/S and Danfoss A/S in the losses of Dantherm Power as a result of their 55% total equity interest from acquisition on January 18, 2010 to August 31, 2010 and their 48% total equity interest from September 1, 2010 to December 31, 2010.

SUMMARY OF QUARTERLY RESULTS

The following table provides summary financial data for our last eight quarters:

(Expressed in thousands of U.S. dollars, except per share amounts)	Quarter ended			
	Dec 31, 2010	Sep 30, 2010	June 30, 2010	Mar 31, 2010
Revenues	$ 21,083	$ 16,528	$ 15,526	$ 11,882
Net income (loss) attributable to Ballard	$ (8,430)	$ (5,610)	$ (10,851)	$ (10,045)
Net income (loss) per share attributable to Ballard, basic and diluted	$ (0.10)	$ (0.07)	$ (0.13)	$ (0.12)
Weighted average common shares outstanding (000's)	84,140	84,128	84,127	84,012
	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009
Revenues	$ 16,516	$ 9,047	$ 13,075	$ 8,084
Net income (loss) attributable to Ballard	$ 25,634	$ (11,352)	$ 1,583	$ (19,123)
Net income (loss) per share attributable to Ballard, basic and diluted	$ 0.31	$ (0.14)	$ 0.02	$ (0.23)
Weighted average common shares outstanding (000's)	83,974	83,955	83,941	82,662

Summary of Quarterly Results: There were no significant seasonal variations in our quarterly results. Variations in our net income (loss) for the above periods were affected primarily by the following factors:

- **Revenues**: Variations in fuel cell product and service revenues reflect the timing of our customers' fuel cell vehicle, bus and field cell product deployments. Variations in fuel cell service product and service revenues also reflect the timing of work performed and the achievements of milestones under long-term fixed price contracts. Product revenues in the second quarter of 2009 were positively impacted by the shipments of fuel cell bus modules related to the B.C. Transit 2010 Olympic fuel cell bus program totaling $6.0 million. Product and service revenues also include the consolidated results of Dantherm Power as of the date of acquisition of January 18, 2010.

- **Operating expenditures**: Operating expenses have declined in the first two quarters of 2010 and the last three quarters of 2009 as a result of the 20% workforce reduction initiated in August 2009 and the 7% workforce reduction initiated in March 2009. Operating expenses also include restructuring and related expenses of $4.8 million in the third quarter of 2009 and $1.4 million in the first quarter of 2009 as a result of the above workforce reduction initiatives. Operating expenses also include the impact of changes in the value of the Canadian dollar, versus the U.S. dollar, on our Canadian dollar denominated expenditures. Operating expenses also include the consolidated results of Dantherm Power as of the date of acquisition of January 18, 2010.

- **Depreciation and amortization**: Depreciation and amortization expense has been impacted in the four quarters of 2010 as a result of the acquisition of intangible assets in Dantherm Power, and the subsequent amortization over a 5-year period. Depreciation and amortization expense increased in the fourth quarter of 2010 due an acceleration of depreciation expense of $2.3 million for equipment that was considered no longer in use or impaired. Depreciation and amortization expense increased in the fourth quarter of 2009 due an acceleration of amortization expense of $2.5 million for patents that were no longer in use.

- **Investment and other income:** Investment and other income has varied in each quarter due to fluctuations in the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated cash and short-term investments. Investment and other income in the fourth quarter of 2009 was positively impacted by a $1.1 curtailment gain resulting from a freeze in future benefits of a defined benefit pension plan applicable for our current and former employees in the United States.

- **Gain on sale of assets:** The net loss for the third quarter of 2010 and the net income for the fourth quarter of 2009 were positively impacted by gains on the monetization of the Share Purchase Agreement with Ford of $4.8 million and $34.3 million, respectively.

- **Equity income (loss) of associated companies:** The net income for the second quarter of 2009 was significantly impacted by a $10.8 million gain recorded on the discontinuance of operations in Ebara Ballard Corporation, representing the reversal of our historic recorded equity losses in Ebara Ballard Corporation in excess of our net investment in Ebara Ballard Corporation at that time. Net loss for the first quarter of 2009 was impacted by equity losses in Ebara Ballard Corporation of approximately $2.4 million.

CASH FLOWS AND LIQUIDITY

Cash, cash equivalents and short-term investments were $74.4 million as at December 31, 2010, compared to $82.2 million at the end of 2009. The decrease of $7.8 million in 2010 was driven by a net loss (excluding non-cash items) of $32.8 million, net capital expenditures of $3.5 million, and the payment of accrued costs related to the 2009 monetization of the AFCC Share Purchase Agreement of $1.4 million. These outflows were partially offset by net cash proceeds of $20.0 million from the sale and leaseback of our head office building in Burnaby, British Columbia, the $4.8 million cash gain on the extinguishment of the contingent payment related to the above 2009 monetization of the AFCC Share Purchase Agreement, and working capital inflows of $3.5 million. The above cash outflows in 2010 include total net cash outflows by Dantherm Power of $6.2 million.

For the year ended December 31, 2010, working capital requirements resulted in cash inflows of $3.5 million compared to inflows of $8.5 million for 2009. In 2010, net cash inflows of $3.5 million were driven by increased accounts payable and accrued liabilities of $2.9 million due primarily to higher 2010 accrued annual employee bonuses as compared to 2009 combined with higher payables to suppliers

as a result of our increased inventory and production levels. In addition, net cash inflows in 2010 benefited from lower prepaid expenses of $1.3 million as a result of lower insurance and information technology license renewal costs and higher deferred revenue of $1.0 million as a result of the receipt of customer payment in advance of work performed on certain of our engineering development contracts partially offset by cash outflows as a result of increased inventory of $2.4 million due to the buildup of inventory to support expected future fuel cell shipments in 2011. In 2009, net working capital cash inflows of $8.5 million were driven by lower accounts receivable of $6.1 million due primarily to collections of our fuel cell bus and contract automotive product and service revenues, higher accrued warranty liabilities of $4.0 million due primarily to product shipments for the B.C. Transit 2010 Olympic and APTS fuel cell bus programs, reduced inventory levels of $1.4 million and higher accounts payable and accrued liabilities of $1.6 million. These working capital inflows in 2009 were partially offset by cash outflows from the draw down of deferred revenue of $3.7 million due primarily to amounts earned under the First Energy distributed power generator program.

Investing activities resulted in cash inflows of $38.3 million for 2010, compared to cash inflows of $19.7 million in 2009. Investing activities in 2010 include net proceeds received on the closing of the head office building sale and leaseback transaction with Madison of $20.0 million, net proceeds of $4.8 million on the extinguishment of the contingent payment related to the 2009 monetization of the Share Purchase Agreement with Ford less the payment of accrued costs of $1.4 million related to the initial monetization which closed in December 2009, and net cash received of $0.9 million on the acquisition of Dantherm Power. On the date of acquisition of our controlling interest in Dantherm Power for $2.9 million, we acquired total cash and cash equivalents in Dantherm Power of $3.8 million, resulting in a net cash inflow of $0.9 million on acquisition (see note 2 to our consolidated financial statements). Investing activities in 2009 include gross proceeds received on the closing of the AFCC Monetization of $37.0 million. Changes in short-term investments resulted in cash inflows of $17.7 million in 2010 as compared to outflows of $7.6 million in 2009. Balances changed between cash equivalents and short-term investments as we make investment decisions with regards to the term of investments and our future cash requirements. Capital spending (net of proceeds on sale) of $3.5 million in 2010, and $4.6 million in 2009, was primarily for manufacturing equipment in order to build production capacity. The cash flows used for other investing activities in 2009 of $5.1 million include an investment in the now discontinued EBARA Ballard Corporation of $5.0 million.

Financing activities resulted in cash outflows of $0.4 million in 2010, compared to cash outflows of $3.5 million in 2009. Financing activities in 2010 primarily represent the minority partner cash contribution to Dantherm Power for the second tranche investment of 5.0 million Danish Kroner, or $0.9 million in August 2010 less capital lease payments of $0.8 million as a result of the sale and leaseback agreement with Madison, and treasury stock purchases of $0.6 million under our market purchase restricted share unit plan. Financing activities in 2009 primarily represent the payment of closing costs of $3.2 million which were accrued at December 31, 2008 on the closing of the Arrangement with Superior Plus Income Fund.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2010, we had cash, cash equivalents and short-term investments totaling $74.4 million. We will use our funds to meet net funding requirements for the development and commercialization of products in our target markets. This includes research and product development for fuel cells and material products, the purchase of equipment for our manufacturing and testing facilities, the further development of business systems and low-cost manufacturing processes and the further development of our sales and marketing, product distribution and service capabilities.

At this stage of our development, we may record net losses for at least the next few years as we continue to make significant investments in research and product and market development activities necessary to commercialize our products. Our actual funding requirements will vary based on the factors noted above, our relationships with our lead customers and strategic partners, our success in developing new channels to market and relationships with customers, our success in generating revenue growth from near-term product opportunities, our working capital requirements, foreign exchange fluctuations, and the progress and results of our research, development and demonstration programs.

Our financial strategy is to manage our cash resources with strong fiscal discipline, focus on markets with high product and service revenue growth potential, license technology in cases where it is advantageous to us, and access available government funding for research and development projects. Our current financing principle is to maintain cash balances sufficient to fund at least six quarters of operating cash consumption at all times.

2011 OUTLOOK

We expect revenues for 2011 to be at least 30% higher than our 2010 revenues of $65.0 million, or at least $84.5 million. Consistent with the past couple of years, we expect a majority of our 2011 revenue to be realized in the second half of the year, with second half revenue representing about two third's of the full year total (as compared to 58% in the last half of 2010). Our revenue outlook for 2011 is based on our internal revenue forecast which reflects an assessment of overall business conditions and takes into account actual sales in the first two months of 2011, sales orders received for units and services to be delivered in 2011, and an estimate with respect to the generation of new sales in each of our markets. Our 2011 revenue outlook is also supported by our 12-month committed order book for products and services of $35.0 million at December 31, 2010 ($22.7 million at December 31, 2009). The primary risk factor that could cause us to miss our revenue guidance for 2011 are delays from forecast in terms of closing and shipping expected sales orders, primarily in our bus and backup power markets.

We expect Adjusted EBITDA (see Supplemental Non-GAAP Measures section) in 2011 to be in excess of 40% better than our 2010 Adjusted EBITDA of ($26.0) million, or lower than ($15.6) million. The key drivers for this expected improvement in

Adjusted EBITDA for 2011 are expected increases in gross margins driven primarily by the above noted minimum 30% expected increase in revenues combined with the maintenance of Cash Operating Costs (see Supplemental Non-GAAP Measures section) at approximately their current levels. Consistent with the expectation that approximately two thirds of our 2011 revenue will fall in the last half of the year, Adjusted EBITDA is expected to be materially improved in the last half of 2011, as compared to the first half of 2011. Our Adjusted EBITDA outlook for 2011 is based on our internal Adjusted EBITDA forecast and takes into account our forecasted gross margin related to the above revenue forecast, the costs of our current and forecasted Cash Operating Costs, and assumes an average U.S. dollar exchange rate of 1.00 in relation to the Canadian dollar. The primary risk factor that could cause us to miss our Adjusted EBITDA guidance for 2011 are lower than expected gross margins due to (i) lower revenues from forecast due to unexpected delays in terms of closing and shipping expected sales orders; (ii) shifts in product sales mix negatively impacting projected gross margin as a percentage of revenues; or (iii) delays in the timing of our projected product cost reductions. In addition, Adjusted EBITDA could also be negatively impacted by unexpected increases in Cash Operating Costs due to (i) increased product development costs due to unexpected delays in new product introductions or by lower than anticipated government cost recoveries; or (ii) by negative foreign exchange impacts as a result of a higher than expected Canadian dollar. A 1% increase in the Canadian dollar, relative to the U.S. dollar, negatively impacts Cash Operating Costs by approximately $0.5 million.

Similar to prior years and consistent with our revenue and Adjusted EBITDA performance expectations for the year and the resulting impacts on gross margin and working capital, we expect cash used in operating activities in 2011 to be materially higher in the first and second quarters of 2011, as compared to the third and fourth quarters of 2011. Cash used in operating activities in the first two quarters of 2011 is expected to be negatively impacted by the buildup of inventory to support higher product shipments in the third and fourth quarters, the payment of accrued 2010 annual employee bonuses (now paid in cash versus the prior practice of settling through a dilutive treasury share distribution), and by the timing of revenues and the related customer collections which are also skewed towards the last half of the year.

Finally, we will continue our focus on maintaining a strong liquidity position. We ended 2010 with cash, cash equivalents and short-term investments of $74.4 million. We believe that with continued focus on improving gross margin performance, managing our Cash Operating Costs and our working capital requirements, we have sufficient liquidity to reach profitability without the need for additional public market financing. However, circumstances could change which would make it advantageous for us to access additional capital.

OFF-BALANCE SHEET ARRANGEMENTS & CONTRACTUAL OBLIGATIONS

Periodically, we use foreign exchange contracts to manage our exposure to currency rate fluctuations and platinum forward purchase contracts to manage our exposure to platinum price fluctuations. We record these contracts at their fair value as either

assets or liabilities on our balance sheet. Any changes in fair value are recorded in our consolidated statements of operations. At December 31, 2010, we had outstanding platinum forward purchase contracts to purchase a total of $3.1 million of platinum at an average rate of $1,738 per troy ounce, resulting in an unrealized gain of $0.1 million.

As at December 31, 2009, we did not have any other material obligations under guarantee contracts, retained or contingent interests in transferred assets, outstanding derivative instruments or non-consolidated variable interests.

We have committed to make future capital contributions of $0.2 million in Chrysalix, in which we have a limited partnership interest.

At December 31, 2010 we had the following contractual obligations and commercial commitments:

(Expressed in thousands of U.S. dollars)		Payments due by period,			
Contractual Obligations	**Total**	Less than one year	1-3 years	3-5 years	After 5 years
Operating leases	**$ 26,688**	$ 2,551	$ 5,078	$ 5,328	$ 13,731
Capital leases	**21,113**	1,591	3,182	3,398	13,941
Asset retirement obligations	**3,980**	–	–	–	3,980
Total contractual obligations	**$ 52,781**	$ 4,142	$ 8,260	$ 8,726	$ 31,652

In addition to the contractual purchase obligations above, we have commitments to purchase $1.2 million of capital assets as at December 31, 2010. Capital expenditures pertain to our regular operations and will be funded through either capital leases or cash on hand.

The Arrangement with Superior Plus includes an indemnification agreement dated December 31, 2008 (the "Indemnity Agreement"), which sets out the parties' continuing obligations to the other. The Indemnity Agreement has two basic elements: it provides for the indemnification by each of the parties to the other for breaches of representations and warranties or covenants as well as, in our case, any liability relating to our business which is suffered by Superior Plus. Our indemnity to Superior Plus with respect to our representation relating to the existence of our tax pools immediately prior to the completion of the Arrangement is limited to an aggregate of $7.4 million (Canadian $7.4 million) with a threshold amount of $0.5 million (Canadian $0.5 million) before there is an obligation to make a payment. Second, the Indemnity Agreement provides for adjustments to be paid by us, or to us, depending on the final determination of the amount of our Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. At December 31, 2009, we have not accrued any amount owing, or receivable, as a result of the Indemnity Agreement.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in us,

together with their subsidiaries and affiliates, our key management personnel, our equity-accounted investees, and our minority interest partners in Dantherm Power subsequent to the closing of the Dantherm Power acquisition on January 18, 2010. Related parties also include Ebara Ballard Corporation and EBARA Corporation prior to the discontinuance of our operations in Ebara Ballard Corporation in May 2009. Revenues and costs recognized from such transactions reflect the prices and terms of sale and purchase transactions with related parties, which are in accordance with normal trade practices.

Related party transactions and balances are as follows:

(Expressed in thousands of U.S. dollars)	Years Ended December 31,	
Transactions with related parties	**2010**	2009
Revenues	**$ 134**	$ 380
Purchases	**1,301**	78
Net investments and advances	**–**	5,000

(Expressed in thousands of U.S. dollars)	As at December 31,	
Balances with related parties	**2010**	2009
Accounts receivable	**$ 153**	$ –
Accounts payable and accrued liabilities	**$ 517**	$ –

OUTSTANDING SHARE DATA

As at March 9, 2011	
Common share outstanding	84,212,712
Options outstanding	6,151,177

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENT APPLIED

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to apply judgment when making estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses of the reporting period, as well as disclosures made in the accompanying notes to the financial statements. The estimates and associated assumptions are based on past experience and other factors that are considered relevant. Actual results could differ from these estimates. The following are our most critical accounting estimates, which are those that require management's most challenging, subjective and complex judgments, requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The application of these and other accounting policies are described more fully in note 1 to the consolidated financial statements.

REVENUE RECOGNITION

Revenues are generated primarily from product sales and services in our core Fuel

Cell Products and supporting Contract Automotive and Material Products segments. We have also historically earned revenues by providing engineering development services in our core Fuel Cell Products and supporting Contract Automotive segments. Product revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Service revenues are derived primarily from cost-plus reimbursable contracts. Engineering development revenues are derived primarily from long-term fixed price contracts.

On standard equipment and material sales contracts, revenues are recorded when the product is shipped to the customer, the risks of ownership are transferred to the customer, the price is fixed and determinable, and collection is reasonably assured. Provisions are made at the time of sale for warranties. Revenue recognition for standard equipment and material sales contracts does not usually involve significant estimates.

On cost-plus reimbursable contracts, revenues are recognized as costs are incurred, and include applicable fees earned as services are provided. Revenue recognition for cost-plus reimbursable contracts does not usually involve significant estimates.

On long-term fixed price contracts, revenues are recorded on the percentage-of-completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the balance sheet date by the sum of incurred and anticipated costs for completing a contract.

- The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as variances in the timeline to completion, the cost of materials, the availability and cost of labour, as well as productivity.

- The determination of potential revenues includes the contractually agreed amount and may be adjusted based on the estimate of our attainment on achieving certain defined contractual milestones. Management's judgment is required in determining the probability that the revenue will be received and in determining the measurement of that amount.

Estimates used to determine revenues and costs of long-term fixed price contracts involve uncertainties that ultimately depend on the outcome of future events and are periodically revised as projects progress. There is a risk that a customer may ultimately disagree with our assessment of the progress achieved against milestones or that our estimates of the work required to complete a contract may change. The cumulative effect of changes to anticipated revenues and anticipated costs for completing a contract are recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

During the years ended months ended December 31, 2010 and 2009, there were no material adjustments to revenues relating to revenue recognized in a prior period.

ASSET IMPAIRMENT

Asset impairment incorporates an evaluation of our goodwill as well as our long-lived assets for impairment.

Goodwill is subject to at least an annual assessment of impairment by applying a fair value based test at the reporting unit level. An impairment loss is recognized to the extent that the carrying amount of goodwill for each reporting unit exceeds its estimated fair market value. The fair market values of the reporting units are derived from certain valuation models, which may consider various factors such as normalized and estimated future earnings, price earnings multiples, terminal values and discount rates. All factors used in the valuation models are based on management's estimates and are subject to uncertainties and judgments. Changes in any of these estimates could affect the fair value of the reporting units and, consequently, the value of the reported goodwill. We perform the annual review of goodwill as at December 31 of each year, more often if events or changes in circumstances indicate that it might be impaired. Based on the impairment tests performed as at December 31, 2010 and 2009, we have concluded that no goodwill impairment provision was required.

In addition, we review our long-lived assets, which include intangible assets, and property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. To determine whether impairment exists, we compare the estimated undiscounted future cash flows that are projected to be generated by those assets to their respective carrying value. If the undiscounted future cash flows are lower than the carrying value, then the assets are written down to fair market value and an impairment loss is recognized. Estimated undiscounted cash flows reflect management's estimates, and changes in those estimates could affect the carrying amount of the long-lived assets. During the years ended December 31, 2010 and 2009, we have concluded that there were no circumstances which required us to test for impairment of our long-lived assets.

During the year ended December 31, 2010, we recorded an acceleration of depreciation expense of $2.3 million for property, plant and equipment that were no longer in use. During the year ended December 31, 2009, we recorded an acceleration of amortization expense of $2.5 million for patents that were no longer in use.

WARRANTY PROVISION

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liabilities, we estimate the likelihood that products sold will experience warranty claims and the cost to resolve claims received. In making such determinations, we use estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, we may incur costs different from those provided for in our warranty provisions. During the years ended December 31, 2010 and 2009 we recorded provisions to accrued warranty liabilities of $2.4 million and $3.7 million, respectively, for new product sales.

We review our warranty assumptions and make adjustments to accrued warranty liabilities quarterly based on the latest information available and to reflect the expiry of contractual obligations. Adjustments to accrued warranty liabilities are recorded in cost of product and service revenues. As a result of these reviews and the resulting adjustments, our warranty provision and cost of revenues for the years ended December 31, 2010 and 2009 were adjusted downwards by a net amount of $1.6 million and $0.5 million, respectively. The adjustments to reduce accrued warranty liabilities were primarily due to contractual expirations and improved lifetimes of our fuel cell products.

INVENTORY PROVISION

In determining the lower of cost and net realizable value of our inventory and establishing the appropriate provision for inventory obsolescence, we estimate the likelihood that inventory carrying values will be affected by changes in market pricing or demand for our products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than cost. We perform regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where we determine that such changes have occurred and will have a negative impact on the value of inventory on hand, appropriate provisions are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required. During the years ended December 31, 2010 and 2009, inventory provisions of $0.5 million and $0.9 million, respectively, were recorded as a charge to cost of product and service revenues.

INVESTMENTS

We have made strategic investments in other companies or partnerships that are developing technology with potential fuel cell applications. Each of these investments is either accounted for by the equity method or carried at cost, depending on whether or not we have the ability to exercise significant influence over the company or partnership. We regularly review such investments and should circumstances indicate that an impairment of value has occurred that is other than temporary, we would record this impairment in the earnings of the current period. Given that these entities are in the development stage, there is significant judgment required in determining whether impairment has occurred in the value of these investments. During the year ended December 31, 2010, no write-downs of our investments were recorded. During the year ended December 31, 2009, we recorded a gain of $10.8 million representing the reversal of historic equity losses (including $2.4 million of equity losses recorded in 2009 prior to the wind-up) in excess of our net investment in EBARA BALLARD as a result of the announcement of our intentions to discontinue operations in EBARA BALLARD.

INCOME TAXES

We use the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Future income tax assets also reflect the benefit of unutilized tax losses than can be carried forward to reduce income taxes in future years. Such method requires the exercise of significant judgment in determining whether or not our future tax assets are "more likely than not" to be recovered from future taxable income and therefore, can be recognized in the consolidated financial statements. Also estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantially enacted tax rates that will apply at such time.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Convergence with International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by public companies, will be converged with International Financial Reporting Standards ("IFRS") effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when we will prepare both the current and comparative financial information using IFRS. We must also present an opening IFRS statement of financial position as at January 1, 2010, our date of transition to IFRS ("Transition Date") which will form part of our interim financial report for the quarter ended March 31, 2011.

The Company's consolidated financial statements for the year ended December 31, 2011 will be our first annual financial statements that comply with IFRS. As 2011 will be our first year of reporting under IFRS, *IFRS 1 First-time Adoption of IFRS* will be applicable.

In accordance with IFRS 1, we will apply IFRS retrospectively as of January 1, 2010, for comparative purposes as if IFRS had always been in effect, subject to certain mandatory exceptions and optional exemptions applicable to us, discussed below.

Senior management and the Audit Committee have approved the Company's IFRS accounting policies. However, IFRS standards are evolving and the International Accounting Standards Board ("IASB") has several projects underway and are expected to issue new accounting standards throughout 2011. As a result, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known which could also affect the differences currently identified between Canadian GAAP and IFRS.

PROJECT MANAGEMENT

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. We commenced our IFRS conversion project in 2008. The project consists of four phases: raise awareness; assessment; design; and implementation. We are currently in the implementation phase. While a number of differences were identified, the

areas of highest potential impact to the Company are stock-based compensation, decommissioning liabilities, leases, presentation, and disclosure, as well as the initial selection of applicable transitional exemptions under the provisions of IFRS 1 First Time Adoption. We have not identified any further areas subject to significant change during the subsequent phases of the transition project.

TRANSITIONAL ELECTIONS (under IFRS 1 First Time Adoption)

The following summary provides details of the opening statement of financial position transitional provisions to be adopted effective January 1, 2010.

- *Share Based Payments*: *IFRS 2, Share Based Payment*, encourages application of its provisions to equity instruments granted on or before November 7, 2002, if fair value information about these instruments had previously been publicly disclosed. As the fair value of the Company's instruments had not been historically disclosed, the Company will not restate share-based payment balances in relation to fully vested awards of share-based payments prior to January 1, 2010.

- *Property, plan and equipment ("PP&E")* : No transitional elections will be taken. The Company will retain assets at historical cost upon transition rather than taking the allowed election to recognize assets at fair value.

In addition to the key areas outlined above, the use of the following additional transitional exemptions, available under IFRS 1, has been agreed by management and the Audit Committee.

- *Business Combinations*: The Company will not retrospectively restate any business combinations; IFRS 3 will be applied prospectively to acquisitions after January 1, 2010.

- *Cumulative Translation Adjustments*: All cumulative translation adjustments and associated gains and losses will be "reset" to zero as at the date of transition, all historic amounts will be transferred from accumulated other comprehensive loss to retained earnings.

IFRS OPENING STATEMENT OF FINANCIAL POSITION

The following table summarizes the expected quantitative impact on the consolidated statement of financial position of the Company's transition to IFRS at January 1, 2010. These differences have been identified with reference to IFRS effective at the date of this MD&A. In the event that new or amended accounting standards or interpretations become effective prior to the inclusion of the Company's financial statement of position in its first annual audited IFRS financial statements (December 2011 year end), the differences currently identified between Canadian GAAP and IFRS may change.

Reconciliation of Opening Balance Sheet at Transition Date

(Expressed in thousands of U.S. dollars)						
As at January 1, 2010		Canadian GAAP	Asset retirement obligations (a)	Share-based payments (b)	Other (c)	IFRS
Current assets	$	106,416	–		–	$ 106,416
Non-currents assets		88,932	259	–	–	89,191
Total assets		**195,348**	259	**–**	**–**	**195,607**
Current liabilities		30,057	**–**	**–**	**–**	30,057
Non-current liabilities		6,371	1,527	**–**	**–**	7,898
Total liabilities		**36,428**	1,527	**-**	**–**	**37,955**
Share capital		835,358	**–**	**–**	**–**	835,358
Contributed surplus		284,510	–	1,437	–	285,947
Accumulated deficit		(960,712)	(1,268)	(1,437)	(236)	(963,653)
Accumulated other comprehensive loss		(236)		**–**	236	**-**
Total shareholders' equity		**158,920**	(1,268)	**–**	**–**	**157,652**
Total liabilities and shareholders' equity	**$**	**195,348**	$ 259	**–**	**–**	**$ 195,607**

The following notes explain the significant adjustments to the Company's Canadian GAAP statement of financial position at January 1, 2010, as a result of the Company's transition to IFRS:

(a) *Changes in Asset Retirement Obligations*: Under both Canadian GAAP and IFRS, we are required to determine a best estimate of asset retirement obligations (termed decommissioning liabilities under IFRS) for all of our facilities. Under IFRS, the liability is measured by applying the risk-free discount rate to the estimated total cost of decommissioning each reporting period whereas under Canadian GAAP the liability was measured using a company specific discount rate. As a result of the application of a lower discount rate under IFRS, adjustments to its IFRS opening statement of financial position are expected to be required to (i) increase other long-term liabilities by approximately $1.5 million (ii) increase PP&E by $0.2 million; and (iii) to increase accumulated deficit by $1.3 million.

(b) *Share*-based Payments: Under Canadian GAAP, the Company values stock-based compensation that vests in tranches as a single grant. IFRS requires that each share-based compensation tranche be valued as a separate grant with a separate vesting date. The Company expects to record a charge to contributed surplus of approximately $1.4 million for unvested stock-based compensation awards in its IFRS opening statement of financial position to reflect these changes in the valuation process.

(c) *Accumulated Other Comprehensive Loss*: The Company expects to record a charge of $0.2 million to deficit in its IFRS opening statement of financial position in order to reset accumulated other comprehensive loss to zero.

ADDITIONAL IMPACTS EXPECTED ON OUR IFRS 2010 FINANCIAL STATEMENTS

In addition to the above noted impacts on our consolidated statement of financial position at January 1, 2010, we anticipate the additional following impacts on our 2010 consolidated financial statements as a result of our upcoming conversion to IFRS:

- *Accelerated recognition of sale and leaseback gains* : Under Canadian GAAP, sale and leaseback gains are deferred and amortized over the term of the lease when the leaseback is classified as an operating lease. Under IFRS, such gains may be recognized upfront if the sale and leaseback transaction results in an operating lease, and is undertaken at fair value. As the land component of our March 2010 sale and leaseback of our head office building is expected to meet this criteria, the unamortized portion of the deferred gain of $3.3 million attributed to the land leaseback will be recognized in 2010 net income and the related deferred gain derecognized in the 2010 financial statements.

- *Foreign Currency Translation of Subsidiary (Dantherm Power)* : Under Canadian GAAP, the translation methodology of a foreign subsidiary is determined by whether the subsidiary is a self sustaining or an integrated operation. Under IFRS, the functional currency of the subsidiary determines the translation methodology. As Dantherm Power's functional currency has been initially assessed as the Danish Kroner, Dantherm Power will be consolidated under IFRS using the current rate method. Under Canadian GAAP, Dantherm Power was determined to be an integrated operation and therefore translated using the temporal method. Given that Dantherm Power was acquired in January 2010 and U.S. / Danish Kroner exchange rates have been relatively stable, the impacts of this GAAP difference are expected to be insignificant.

IFRS ACCOUNTING POLICY IMPACTS

In addition to the transitional and other impacts described above, there are several accounting policy impacts which will impact the Company on a go-forward basis. This is not an exhaustive list, but it provides an indication of the main accounting policy choices which will apply to the Company under IFRS effective January 1, 2011 with comparatives presented for 2010:

- Share-based payments: All share-based payments will be valued at fair value under IFRS using an option pricing model. The Company has selected the Black Scholes option pricing model. This is consistent with the Company's current accounting policy. However, under IFRS, the valuation of stock options and restricted share unit ("RSU") awards requires individual "tranche based" valuations for those option and RSU plans with graded vesting, while Canadian GAAP allows a single valuation for all tranches. Therefore, under IFRS each installment of option and RSU award will be treated as a separate option or RSU grant, and the fair value of each installment will be amortized over each installment's vesting period instead of recognizing the entire award on a straight-line basis over the term of the grant. The impact of this change on the income statement is not expected to be significant.

- *Property, Plant and Equipment ("PP&E")* : Under IFRS, PP&E may be accounted for using either a cost or revaluation model. The Company has elected to use the cost model for all classes of property, plant and equipment. This is consistent with the Company's current accounting policy and hence will not impact the Company's PP&E balances.

- *Impairment of Assets*: If there is an indication that an asset may be impaired, an impairment test must be performed. Under Canadian GAAP, this is a two-step impairment test in which (i) undiscounted future cash flows are compared to the carrying value; and (ii) if those undiscounted cash flows are less than the carrying value, the asset is written down to fair value. Under IFRS, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such a condition exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of (1) value in use; and (ii) fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state. In addition, IFRS requires PP&E, goodwill and intangibles to be assessed for impairment at the cash-generating unit ("CGU") level, rather than the reporting unit level considered by Canadian GAAP.

  As a result of this difference, in principle, impairment write downs may be more likely under IFRS than are currently identified and recorded under Canadian GAAP. The extent of any new write downs, however, may be partially offset by the requirement under *IAS 36 Impairment of Assets,* to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. We have concluded that the adoption of these standards will not result in a change to the carrying value of our PP&E, Goodwill and Intangible Assets on transition to IFRS being January 1, 2010.

- *Business Combinations:* Under IFRS, we will account for all business combinations from January 1, 2010 onwards in accordance with *IFRS 3 Business Combinations*. Given that we adopted Canadian CICA Handbook Section 1582 as of January 1, 2010 which is substantially converged with IFRS 3, we do not expect any difference relating to the acquisition of Dantherm Power.

- *Provisions:* Under Canadian GAAP, a provision is required to be recorded in the financial statements when required payment is considered "likely' and can be reasonably estimated. The threshold for recognition of provisions under IFRS is lower than that under Canadian GAAP as provisions must be recognized if required payment is "probable". Therefore, in principle, it is possible to that there may be come provisions which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP use the low end of the range), and the requirement under IFRS

for provisions to be discounted where material. We have reviewed our positions and concluded that there is no adjustment to our financial statements on transition to IFRS arising from the application of IFRS provisions recognition and measurement guidance.

- *Functional Presentation:* Under IFRS, operating expenses must be presented on either a functional or type of expenditure basis. Under Canadian GAAP, operating expenses could be presented using a mix of both function and type of expenditure. The Company has elected to use the functional classification basis for the presentation of its operating expenses. As a result, the operating expenses of depreciation and amortization, restructuring costs, and acquisition expenses, which are individually presented in the Statement of Operations under Canadian GAAP, will be reallocated to research and product development, sales and marketing, and general and administrative expense under IFRS.

Management continues to monitor standards to be issued by the IASB, but it remains difficult to predict the IFRS that will be effective at the end of the Company's first IFRS reporting period (December 2011), as the IASB work plan anticipates the completion of several projects during 2011. Their projects on employee benefits, leases, revenue, financial instruments, and provisions are especially relevant to the Company.

IFRS OTHER IMPACTS

In addition to the above noted impacts to our financial statements and accounting policies, we have also reviewed the expected impact of our upcoming conversion to IFRS on our information technology and data systems, internal controls over financial reporting, business processes, contractual arrangements and compensation arrangements.

- *Training*: We have provided IFRS training for key employees, senior management and the Audit Committee. We will continue to provide additional training and updates throughout the conversion period;

- *Information technology and data systems*: We have assessed the impact on system requirements for the conversion and post-conversion periods and expect there will be no significant impact to applications arising from the transition to IFRS;

- *Compensation arrangements*: We have identified compensation arrangements that rely on indicators derived from the financial statements and expect there will be no significant impact to compensation expense arising from the transition to IFRS;

- *Disclosure controls and procedures*: We have assessed the impact on our disclosure controls and procedures and expect there will be no significant impact arising from the transition to IFRS.

- *Internal control over financial reporting*: We have identified the required accounting process changes that result from the application of IFRS accounting policies; these changes are not considered significant. As part of the transition

project, we will complete the design, implementation and documentation of the accounting process changes that result from the application of IFRS accounting policies. We believe that our current framework of internal control over financial reporting and disclosure controls and procedures is sufficiently robust to incorporate the changes to the financial reporting processes as a result of our conversion to IFRS.

Our transition plans relating to IFRS are on schedule.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with GAAP, we present certain supplemental non-GAAP measures. These measures are Cash Operating Costs, EBITDA and Adjusted EBITDA. These non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. We believe these measures are useful in evaluating the operating performance and liquidity of the Company's ongoing business. These measures should be considered in addition to, and not as a substitute for, net income, cash flows and other measures of financial performance and liquidity reported in accordance with GAAP.

Cash Operating Costs

This supplemental non-GAAP measure is provided to assist readers in determining our operating costs on a cash basis. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe Cash Operating Costs is frequently used by securities analysts and investors when comparing our results with those of other companies. Cash Operating Costs differs from the most comparable GAAP measure, operating expenses, primarily because it does not include stock-based compensation expense, depreciation and amortization, restructuring costs and acquisition costs.

The following table shows a reconciliation of operating expenses to Cash Operating Costs for the three months and year ended December 31, 2010 and 2009:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			Year ended December 31,		
Cash Operating Costs	**2010**	2009	$ Change	**2010**	2009	$ Change
Operating Expense	**$ 14,665**	$ 14,013	$ 652	**$ 52,970**	$ 57,970	$ (5,000)
Stock-based compensation	**(1,182)**	(860)	(322)	**(4,057)**	(3,033)	(1,024)
Acquisition charges	**(175)**	(529)	354	**(243)**	(529)	286
Restructuring and related costs	**–**	(36)	36	**(285)**	(6,229)	5,944
Depreciation and amortization	**(3,703)**	(3,236)	(467)	**(6,454)**	(6,580)	126
Cash Operating Costs	**$ 9,605**	$ 9,352	$ 253	**$ 41,931**	$ 41,599	$ 332

Adjusted EBITDA

These supplemental non-GAAP measures are provided to assist readers in determining our operating performance and ability to generate operating cash flow. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe EBITDA and Adjusted EBITDA are frequently used by securities analysts and investors when comparing our results with those of

other companies. EBITDA differs from the most comparable GAAP measure, net income attributable to Ballard, primarily because it does not include interest expense, income tax expense or recovery, depreciation of property, plant and equipment, amortization of intangible assets, and goodwill impairment charges. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, investment and other income, and acquisition costs.

The following table shows a reconciliation of net income attributable to Ballard to EBITDA and Adjusted EBITDA for the three months and year ended December 31, 2010 and 2009:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			Year ended December 31,		
EBITDA and Adjusted EBITDA	**2010**	2009	$ Change	**2010**	2009	$ Change
Net loss attributable to Ballard Power Systems Inc.	**$ (8,430)**	$ 25,634	$ (34,064)	**$ (34,936)**	$ (3,258)	$ (31,678)
Depreciation and amortization	**4,723**	3,824	899	**8,564**	9,504	(940)
Interest expense	**307**	**–**	307	**974**	**–**	974
Income taxes	**–**	(7)	7	**3**	(7)	10
EBITDA attributable to Ballard Power Systems Inc.	**$ (3,400)**	$ 29,451	$ (32,709)	**$ (25,395)**	$ 6,239	$ (31,634)
Stock-based compensation	**1,182**	860	322	**4,057**	3,033	1,024
Acquisition charges	**175**	529	(354)	**243**	529	(286)
Investment and other (income) loss	**(1,133)**	(2,494)	1,361	**(128)**	(5,995)	5,867
Gain on sale of assets	**50**	(34,368)	34,418	**(4,765)**	(34,419)	29,654
Equity in loss of associated companies	**–**	(421)	421	**–**	(8,364)	8,364
Adjusted EBITDA	**$ (3,126)**	$ (6,443)	$ 3,317	**$ (25,988)**	$ (38,977)	$ 12,989

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosures.

As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including the CEO and the CFO, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a–15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). The CEO and CFO have concluded that as of December 31, 2010, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein, and accumulated and reported to management to allow timely discussions regarding required disclosure.

Internal control over financial reporting

The CEO and CFO, together with other members of management, are responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is designed under our supervision, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada and the requirements of the Securities and Exchange Commission in the United States, as applicable.

There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

Management, including the CEO and CFO, have evaluated the effectiveness of internal control over financial reporting, as defined in Rules 13a–15(f) of the Exchange Act, in relation to criteria described in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, Management has determined that internal control over financial reporting was effective as of December 31, 2010.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2010.

Changes in internal control over financial reporting

During the year ended December 31, 2010, there were no material changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As Dantherm Power was acquired in the last 365 days, we have limited the scope of our design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Dantherm Power. Summary financial information of Dantherm Power consolidated in our year ended December 31, 2010 consolidated financial statements include:

Select Dantherm Power financial information (Expressed in thousands of U.S. dollars)		**2010**
Revenues	**$**	**2,525**
Net loss	**$**	**(6,743)**
Adjusted EBITDA	**$**	**(6,544)**

Cash used by operating activities	$	(6,192)
Cash, cash equivalents and short-term investments	$	1,042
Total assets	$	13,519

RISKS & UNCERTAINTIES

An investment in our common shares involves risk. Investors should carefully consider the risks described below and the other information contained in, and incorporated into, this Management Discussion and Analysis, our financial statements for the year ended December 31, 2010, and our Annual Information Form. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of the risks and uncertainties which apply to our business and our operating results and are summarized below, please see our Annual Information Form and other filings with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov).

Our business entails risks and uncertainties that affect our outlook and eventual results of our business and commercialization plans. The primary risks relate to meeting our product development and commercialization milestones, which require that our products exhibit the functionality, cost, durability and performance required in a commercial product and that we have sufficient access to capital to fund these activities. To be commercially useful, most of our products must be integrated into products manufactured by system integrators or OEMs. There is no guarantee that system integrators or OEMs will provide products that use our products as components. There is also a risk that mass markets for certain of our products may never develop, or that market acceptance might take longer to develop than anticipated.

A summary of our identified risks and uncertainties are as follows:

- We may not be able to achieve commercialization of our products on the timetable we anticipate, or at all;
- We expect our cash reserves will be reduced due to future operating losses, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary;
- We may not be able to successfully execute our business plan;
- Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan;
- We could be adversely affected by risks associated with acquisitions;
- We are subject to risks inherent in international operations;
- Exchange rate fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability;

- Commodity price fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability;
- A mass market for our products may never develop or may take longer to develop than we anticipate;
- We have limited experience manufacturing fuel cell products on a commercial basis;
- We are dependent on third party suppliers for the supply of key materials and components for our products;
- We are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products;
- Global economic conditions are beyond our control and may have an adverse impact on our business or on our key suppliers and / or customers;
- Public Policy and regulatory changes could hurt the market for our products;
- We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success;
- We currently face and will continue to face significant competition;
- We could lose or fail to attract the personnel necessary to run our business;
- We could be liable for environmental damages resulting from our research, development or manufacturing operations; and
- Our products use flammable fuels, which could subject our business to product liability claims.

FORWARD-LOOKING STATEMENTS DISCLAIMER

This document contains forward-looking statements that are based on the beliefs of management and reflect our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Exchange Act of 1934, as amended. Such statements include, but are not limited to, statements with respect to our objectives, goals and outlook including our estimated revenue and gross margins, cash flow from operations, Cash Operating Costs, EBITDA and Adjusted EBITDA (see Non-GAAP Measures) contained in our “Outlook”, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Words such as "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will", the negatives of these words or other variations thereof and comparable terminology are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

In particular, these forward-looking statements are based on certain factors and assumptions disclosed in our “Outlook” as well as specific assumptions relating to our expectations with respect to the generation of new sales, producing, delivering and selling the expected product volumes at the expected prices, and controlling our costs. They are also based on a variety of general factors and assumptions including, but not limited to, our expectations regarding product development efforts, manufacturing capacity, product pricing, market demand, and the availability and prices of raw materials, labour and supplies. These assumptions have been derived from information available to the Company including information obtained by the Company from third parties. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from the results expressed, implied or forecasted in such forward-looking statements include, but are not limited to: the condition of the global economy; the rate of mass adoption of our products; changes in product pricing; changes in our customers' requirements, the competitive environment and related market conditions; product development delays; changes in the availability or price of raw materials, labour and supplies; our ability to attract and retain business partners, suppliers, employees and customers; changing environmental regulations; our access to funding and our ability to provide the capital required for product development, operations and marketing efforts; our ability to protect our intellectual property; the magnitude of the rate of change of the Canadian dollar versus the U.S. dollar; and the general assumption that none of the risks identified in the Risks and Uncertainties section of this report or in our most recent Annual Information Form will materialize. Readers should not place undue reliance on Ballard's forward-looking statements.

The forward-looking statements contained in this document speak only as of the date of this Management Discussion and Analysis. Except as required by applicable legislation, Ballard does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Management Discussion and Analysis, including the occurrence of unanticipated events.



BALLARD POWER SYSTEMS INC.

ANNUAL INFORMATION FORM

MARCH 9, 2011

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This Annual Information Form and the documents incorporated by reference herein contain forward-looking statements that are based on the beliefs of management and reflect our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Exchange Act of 1934, as amended. When used in this Annual Information Form, the words "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will", the negatives of these words or other variations thereof and comparable terminology are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those forward-looking statements, including, without limitation the following risks and uncertainties which are discussed in the section of this Annual Information Form entitled "Risk Factors": we may not be able to achieve commercialization of our products on the timetable we anticipate, or at all; we expect our cash reserves will be reduced due to future operating losses, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary; we may not be able to successfully execute our business plan; potential fluctuations in our financial and business results makes forecasting difficult and may restrict our access to funding for our commercialization plan; we could be adversely affected by risks associated with acquisitions; we are subject to risks inherent in global operations; exchange rate fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability; commodity price fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability; a mass market for our products may never develop or may take longer to develop than we anticipate; we have limited experience manufacturing fuel cell products on a commercial basis; we are dependent on third party suppliers for the supply of key materials and components for our products; we are dependent upon Original Equipment Manufacturers and System Integrators to purchase certain of our products; global economic conditions are beyond our control and may have an adverse impact on our business or our key suppliers and/or customers; public policy and regulatory changes could hurt the market for our products; we depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our future growth and success; we currently face and will continue to face significant competition; we could lose or fail to attract the personnel necessary to run our business; we could be liable for environmental damages resulting from our research, development or manufacturing operations; our products use flammable fuels, which could subject our business to product liability claims; and the other risks and uncertainties discussed elsewhere in this Annual Information Form.

The forward-looking statements contained in this Annual Information Form speak only as of the date of this Annual Information Form. Except as required by applicable legislation, Ballard does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Information Form, including the occurrence of unanticipated events.

CORPORATE STRUCTURE

Name, Address and Incorporation

Ballard was incorporated on November 12, 2008 under the *Canada Business Corporations Act*, under the name "7076991 Canada Inc.". Ballard changed its name to "Ballard Power Systems Inc." on December 31, 2008. Ballard's head office is located at 9000 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 5J8, and its registered office is located at Suite 1700, 666 Burrard Street, Vancouver, British Columbia, Canada V6C 2X8.

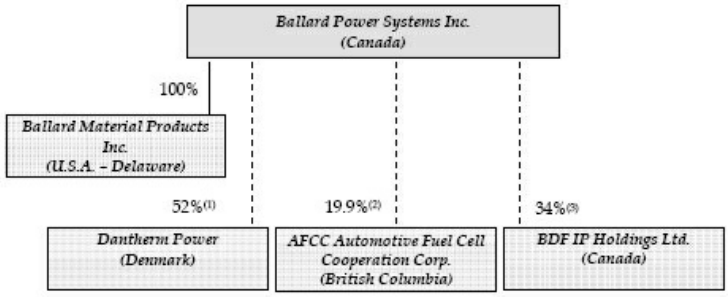
Previously, Ballard Power Systems Inc. was a British Columbia company incorporated on May 30, 1989. The original predecessor to Ballard was founded in 1979 under the name Ballard Research Inc. to conduct research and development on high-energy lithium batteries. In the course of investigating environmentally clean energy systems with commercial potential, we began to develop fuel cells and have been developing fuel cell products since 1983.

In this Annual Information Form, references to "Corporation", "Ballard", "BPS", "we", "us" and "our" refers to Ballard Power Systems Inc. and, as applicable, its subsidiaries. All dollar amounts are in United States dollars unless otherwise indicated.

Intercorporate Relationships

We have four principal subsidiaries and affiliates: Ballard Material Products Inc., a Delaware corporation that develops and manufactures carbon fiber products for use in the automotive and fuel cell markets; Dantherm Power A/S ("**Dantherm Power**"), a Denmark-based corporation jointly owned with Danfoss Ventures A/S and Dantherm A/S that develops clean energy backup power systems across Europe; AFCC Automotive Fuel Cell Cooperation Corp. ("**AFCC**"), a British Columbia corporation that develops fuel cell products for the automotive fuel cell market; and BDF IP Holdings Ltd. ("**IP Holdings**"), a Canadian corporation that holds intellectual property assets.

The following chart shows these principal subsidiaries and affiliates, their respective jurisdictions of incorporation and our percentage of share ownership in each of them, all as of March 9, 2011:



Notes

(1) The Corporation holds a 52% interest in Dantherm Power, with the remaining 48% held by Dantherm A/S and Danfoss Ventures A/S.

(2) The Corporation holds a 19.9% minority interest in AFCC with 50.1% held by Daimler AG and 30% held by Ford Motor Company. Ballard's minority interest in AFCC is the subject of a forward-sale arrangement with Ford Motor Company (see the "Detailed Description of the AFCC Transaction - Arrangements with respect to AFCC" section of this Annual Information Form).

(3) The Corporation holds all of the non-voting, participating shares of IP Holdings and 34% of the voting, non-participating shares of IP Holdings, with each of Daimler AG and Ford Motor Company holding 33% of the voting, non-participating shares.

OUR BUSINESS

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in proton exchange membrane (" **PEM**") fuel cell development and commercialization. Our principal business is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on motive power (material handling and buses) and stationary power (back-up power and distributed generation) markets. A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from water through electrolysis. As long as fuel is supplied, the fuel cell produces electricity efficiently and continuously without combustion, with water and heat as the main by-products when hydrogen is used as the fuel source. Ballard® fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, modular design and environmental cleanliness.

Recent History

Over the past three years, we have continued to focus on our core fuel cell business and on markets with near-term commercial prospects. As a result, we completed our exit from the automotive business by selling our automotive fuel cell research and development assets to AFCC on January 31, 2008. Following completion of this disposition, we identified a way to extract value from Ballard's tax attributes through a restructuring transaction with Superior Plus Income Fund ("**Superior Plus**"), which was completed on December 31, 2008. On December 21, 2009, we closed an agreement with a financial institution to monetize our rights under the purchase agreement with Ford relating to our 19.9% equity interest in AFCC for initial net proceeds of approximately $34 million and a further contingent payment of $7.5 million due on or before January 31, 2013 (the contingent payment was subsequently monetized and extinguished for $5 million in July 2010). On January 18, 2010, we acquired a controlling interest in Dantherm Power, a Denmark-based corporation, which develops clean energy backup power through utilization of our hydrogen fuel cell technology.

AFCC Transaction

We sold certain of our automotive fuel cell research and development assets to AFCC in January 2008 (the " **AFCC Transaction**"). The purpose of the AFCC Transaction was to decrease our investment in automotive fuel cell research and development due to its high cost, uncertainties surrounding government mandates relating to the adoption and deployment of automotive fuel cell powered vehicles, the lengthening timeline to automotive fuel cell commercialization, and the negative impact of these factors on our production volumes and revenues.

The AFCC Transaction allowed us to focus our efforts on the development and commercialization of fuel cells for non-automotive applications and fuel cell buses. In addition, we have continued involvement with automotive products and services for Daimler and AFCC on a contract basis under which we are paid on a profitable basis.

Further details of the AFCC Transaction are provided in the "Detailed Description of the AFCC Transaction and Associated Material Contracts " section of this Annual Information Form.

Superior Plus Transaction

We entered into an arrangement agreement dated October 30, 2008 with Superior Plus, under which Ballard's old corporate entity agreed to transfer its entire business and operations, including all assets, liabilities, directors, management and employees, but excluding its tax attributes, to the Corporation, and subsequently allowed Superior Plus to use Ballard's old corporate entity as a vehicle to complete its conversion from an income trust to a corporation (the "**Superior Plus Transaction**"). That transaction was

implemented by way of a statutory plan of arrangement under section 192 of the *Canada Business Corporations Act*. Under the arrangement, Ballar shareholders exchanged their common shares in the capital of the old corporate entity for common shares in the capital of the new corporate entity on a one-for-one basis, and Superior Plus obtained 100% of the common shares in the capital of Ballard's old corporate entity. Following completion of the Superior Plus Transaction, Ballard continued to carry on its business operations as a public entity, and retained all the rights it previously held to related intellectual property.

We obtained several benefits from the Superior Plus Transaction, including net cash proceeds of approximately $34 million.

Further details of the Superior Plus Transaction are provided in the "Detailed Description of the Superior Plus Transaction" section of this Annual Information Form.

Ebara Ballard Corporation Transaction

In May 2009, we decided to discontinue operations of Ebara Ballard Corporation, our joint venture company with Ebara, as it became evident that the timeframe to commercialization for the residential cogeneration market in Japan was longer than anticipated, and due to an increasing investment requirement for continued system development work. Ebara Ballard was dissolved in October 2009.

Sale and Lease-back of Head Office

In December 2009, we entered into a sale-and-leaseback agreement pursuant to which Ballard sold its head office building located in Burnaby, British Columbia in return for net cash proceeds of approximately $20 million. We also entered into an initial fifteen-year lease agreement for the same property. The transaction closed on March 9, 2010.

Dantherm Power Transaction

On January 18, 2010, we acquired a controlling interest in Denmark-based Dantherm Power, partnering with co-investors Danfoss Ventures A/S and Dantherm A/S. In exchange for an initial investment of DKK 30m (approximately $6m) funded in two tranches in January and August 2010, Ballard obtained a 52% interest in Dantherm Power.

Dantherm Power develops clean energy backup power systems, utilizing Ballard's hydrogen fuel cell technology, for telecom equipment suppliers, including Motorola and Ericsson.

Strategy

We are focused on building a clean energy fuel cell solutions company. We provide our customers the positive economic and environmental benefits unique to fuel cell power. We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading fuel cell products to meet the needs of our customers in select target markets. We are focused on our core competencies of PEM fuel cell design, development, manufacture, sales and service.

Over the past three years, we have focused our efforts on leveraging the inherent reliability and durability derived in our legacy automotive technology into non-automotive markets where demand is near term. Our initial target markets include: motive power (material handling and buses) and stationary power (back-up power and distributed generation). We continue to support and supply fuel cells and technology to AFCC, Daimler, and Ford on a profitable basis. Today, varying stages of commercialization activities are progressing in each of these markets in North America, Europe and Asia and we are actively considering other key markets for which our products are well suited, including the bus market in Brazil. We believe these markets represent a large global opportunity for fuel cell products. We are also confident that there are opportunities for our products in additional geographic markets as well as product extension opportunities in different applications.

Revenues from Market Segments

In 2010, we operated in three market segments:

(a) Fuel Cell Products: fuel cell products and services for motive power (material handling and bus markets) and stationary power (back-up power and distributed generation markets);

(b) Contract Automotive: contract technical and manufacturing services primarily for Daimler, Ford and AFCC; and

(c) Material Products: carbon fiber products primarily for automotive transmissions and gas diffusion layers (" **GDLs**") for fuel cells.

The following chart shows the percentage of total revenues derived from each segment, and the portion of revenues from each segment which arises from sales to investees and sales of products and services to other customers, for the years 2010 and 2009:

	2010	2009
Revenues from Fuel Cell Products		
Percentage of total revenues	50.5%	51.7%
Portion representing sales to investees [1]	Nil	0.8%
Portion representing sales to customers other than investees	50.5%	50.9%
Revenues from Contract Automotive		
Percentage of total revenues	17.3%	19.6%
Portion representing sales to investees [2]	3.9%	13.4%
Portion representing sales to customers other than investees	13.4%	6.2%
Revenues from Material Products		
Percentage of total revenues	32.2%	28.7%
Portion representing sales to investees	Nil	Nil
Portion representing sales to customers other than investees	32.2%	28.7%

Our Markets and Products

Product Overview

Ballard's product offering provides for a cost effective and flexible set of fuel cell power solutions. Ballard provided product in three distinct product classes:

(1) Fuel cell stacks: Ballard provides fuel cells to OEM customers and system integrators (such as Plug Power) that use the stacks to produce power solutions. As the stack provider, Ballard is the power inside the system.

(2) Fuel cell modules: Ballard builds the stacks into self-contained fuel cell modules that are plug-and-play into a larger system. As a module provider, we make it easier for systems companies (such as APTS) to create fuel cell systems (such as a fuel cell bus power train).

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[1] In relation to Fuel Cell Product revenues, "investees" means Ebara Ballard Corporation.
[2] In relation to Contract Automotive revenues, "investees" means AFCC.

(3) Fuel cell solutions: Ballard builds full systems that are designed to solve certain energy needs of our customer. As a solution provider Ballard builds up the stacks and modules into full systems that bring value to our customers. Ballard does this directly in distributed power (e.g., with FirstEnergy and K2 Pure Solutions), and through Dantherm Power (e.g. Motorola telecommunications systems).

We also design, develop, manufacture, sell and service carbon fiber materials that can be used in a variety of fuel cell and non-fuel cell applications.

The timing of commercialization of our products will largely be influenced by the market rollout plans of our customers. The following table lists the key fuel cell and non-fuel cell products we currently produce, have under development or are testing.

Motive Power Product Family: FCvelocity™ Fuel Cell Products		
Product Name	**Application**	**Status**
FCvelocity™-9SSL	Material handling	Sales to Original Equipment Manufacturers ("**OEMs**") and system integrators
FCvelocity™-1020ACS	Material handling	Sales to OEMs and system integrators
FCvelocity™-HD6	Buses	Sales to OEMs and system integrators

Stationary Power Product Family: FCgen™ Fuel Cell Products and System Products		
Product Name	**Application**	**Status**
FCgen™-9SSL	Back-up power	In development and testing
FCgen™-1020ACS	Back-up power	Sales to OEMs and system integrators
FCgen™-1030	Residential heat and power	Primarily sales under government sponsored programs

Stationary Power Product Family: FCgen™ Fuel Cell Products and System Products		
Product Name	**Application**	**Status**
FCgen™-1300	Back-up power Distributed generation	Sales to OEMs and system integrators
CLEARgen™	Distributed generation power systems	Sales to customers
DBX 2000 / 5000	Back-up Power Systems (Dantherm Power)	Sales to customers

Product Family: Material Products		
Product Name	**Application**	**Status**
AvCarb™ gas diffusion layer fuel cell products	Fuel cells	Sales to fuel cell developers
Carbon friction materials	Mainly automobile automatic transmissions	Sales to OEM's or their suppliers.

Fuel Cell Products and Servicing

Motive Power

Material Handling

The material handling market includes target industrial vehicles such as forklifts, automated guided vehicles (" **AGVs**") and ground support equipment. Our initial focus is on battery-powered Class 1 counter balance lift trucks, Class 2 reach trucks and Class 3 pallet forklifts and AGVs. We believe fuel cell powered forklift trucks can offer significant productivity gains in high-throughput, multi-shift distribution centre and warehouse operations when compared to incumbent battery technology. Our primary product for the material handling market is the FCvelocity™-9SSL, which is applicable to Class 1, Class 2 and Class 3 forklift truck solutions. We are also developing forklift solutions based on the FCvelocity™-1020ACS, our second-generation air-cooled fuel cell product, and are performing evaluation trials with key end-users.

Our principle customer in North America is Plug Power, a specialized system integrator working to achieve early penetration into the market by deploying its GenDrive™ battery pack replacement fuel cell systems. On July 15, 2010, we extended

our existing supply agreement with Plug Power through 2014. We will remain the exclusive supplier of fuel cell stacks for Plug Power's full suite of GenDrive™ power units and Plug Power will become the exclusive systems integrator for Ballard's fuel cell stacks in the material handling market in North America.

In 2010, Plug Power began offering commercial GenDrive™ systems designed for Class 1, Class 2 and Class 3 trucks, all using Ballard fuel cells. The addition of the previously unavailable system for Class 2 lift trucks has filled out Plug Power's product portfolio and enabled full facility conversions, which will help advance market penetration.

Plug Power has initiated or completed field trials and commercial deliveries to a number of end-users including: Wal-Mart Stores, Inc.; Bridgestone Firestone North America Tire, LLC; Sysco Corporation; H.E. Butt Grocery Company; Whole Foods; Coca-Cola; Genco; Wegmans; Nestle Waters; and Nissan North America, Inc. Some of Plug Power's customers have completed the first phase of deployment of the technology and are now moving to larger trials and commercial orders, for which we are supplying our FCvelocity™-9SSL fuel cell product. Notable successes included their third purchase order from Sysco for 100 Class 1, 2 and 3 lift trucks for a distribution center facility in Virginia, the delivery of 37 Class 1 lift trucks to a second Coca-Cola facility and the grand opening of a new WalMart distribution centre near Calgary, Alberta, all using Plug GenDrive™ systems powered by Ballard fuel cells.

Material handling shipments to Plug Power in 2010 totalled 1,100 fuel cells which represents a six fold increase over 2009 shipment levels. On November 2, 2010, Plug Power provided guidance in their SEC filing of an expected annual doubling of shipments in 2011 compared to 2010.

In order to support market growth, we continue to pursue cost reduction of our FCvelocity™-9SSL fuel cell product. Since 2008 we have reduced the cost of this fuel cell product by roughly 40% with the introduction of a new product version with a high-performance, low-cost membrane electrode assembly ("**MEA**") that we integrated into the FCvelocity™-9SSL fuel cell product for sales starting in 2010. Further cost reduction will now be achieved though economies of scale and production efficiencies driven by the volume ramp-up.

Buses

The addressable market for fuel cell buses today is comprised of transit buses. These buses rely on centralized fuelling depots that simplify the hydrogen infrastructure requirements and are government-subsidized, thus enabling the purchase of pre-commercial fleets.

On August 3, 2007, BC Transit announced the contract award for the supply of up to 20 fuel cell hybrid buses to a consortium of New Flyer Industries ("**New Flyer**", *coach manufacturer*), ISE Corporation ("**ISE**", *hybrid drive integrator*) and Ballard (*fuel cell module supplier*). On October 3, 2009, the first bus in BC Transit's fleet of 20 hydrogen fuel cell buses was introduced. Starting in January 2010, all 20 buses were commissioned at New Flyer and sent to Victoria, British Columbia for acceptance tests by BC Transit. These buses operated in revenue service in Whistler, British Columbia during the 2010 Olympic Winter Games and will continue in revenue service year-round. In 2010, the Whistler fleet accumulated >650,000 km of revenue service.

On November 13, 2007, the City of London, England announced the contract award for the supply of five fuel cell hybrid buses, to be delivered in 2009, to the consortium of Wrightbus Ltd. (*coach manufacturer*), ISE (*hybrid drive integrator*) and Ballard (*fuel cell module supplier*). Ballard shipped FCvelocity™-HD6 modules for the buses to ISE in 2008 and 2009. On December 6, 2010, Ballard secured an order for a further three modules to power three additional fuel cell hybrid buses. The first London bus started commissioning and testing in February 2009 and began revenue service in December 2010. The remaining seven buses are expected to be deployed by the end of 2011.

On August 10, 2010, ISE filed for Chapter 11 bankruptcy protection. On January 12, 2011, Bluways USA, Inc., a subsidiary of Bluways NV ("**Bluways**"), a Belgian system integrator and supplier of hybrid electric drive systems and components for heavy-duty applications, was the winning bidder in an auction for ISE's assets. The sale transaction was subsequently approved by the court and closed on February 1, 2011.

Prior to ISE's filing for Chapter 11 protection Ballard began working collaboratively with New Flyer to ensure service continuity for the BC Transit buses. Ballard intends to continue working with its partners to ensure a high level of customer satisfaction in relation to the fleet of 20 buses operating in Whistler - the largest fuel cell bus fleet anywhere. Ballard is also in discussions with Bluways and Wrightbus Ltd. to ensure full alignment regarding ongoing support of the London fuel cell buses.

On January 11, 2010, Ballard received a sales order for five FCvelocity™-HD6 modules from APTS, a specialty bus OEM, part of the VDL Group in the Netherlands. The 150–kilowatt power modules will be installed and integrated by Vossloh-Kiepe with hybrid electric drive systems in 18-metre (60 foot) articulated Phileas buses manufactured by APTS.

As of this time all operating fuel cell buses employ our FCvelocity™-HD6 modules. Development work on the next generation is continuing as part of the Ballard objective to build a sustainable, high margin bus business.

Stationary Power

Back-up Power

Our focus in the back-up power market is on the telecommunications industry, which is currently dominated by batteries and diesel generators. The back-up power market is characterized by infrequent power demand, where outages typically occur monthly or less frequently and last less than eight hours; whereas the supplemental power market is characterized by often daily outages lasting 4-8 hours or more. With increasing demand for more reliable communications networks and longer duration back-up time, we believe fuel cell products offer significant operating cost savings to the end user.

To accelerate growth and to establish a direct channel into the backup market, in January of 2010 Ballard Power Systems acquired a controlling interest in Denmark-based Dantherm Power, partnering with co-investors Danfoss Ventures A/S and Dantherm A/S. Dantherm Power develops clean energy fuel cell backup power systems for telecom equipment suppliers, including Motorola and Ericsson, for installation in either indoor or outdoor applications. Dantherm Power's system deployments include the largest European fuel cell installation for TETRA emergency networks. In 2010, Dantherm Power launched two new hydrogen-fuelled systems utilizing Ballard's FCgen™-1020ACS fuel cell product: the DBX 2000 (2kW) and DBX 5000 (5kW).

Our primary indirect channel partner is IdaTech. In 2010 IdaTech announced the sale of over 250 of their direct hydrogen products to Hutchison Telecom in Indonesia. IdaTech also launched a new 5kW methanol fuelled product that also contains a Ballard stack.

Our indirect channels to Asia also grew in 2010 with the signing of Palcan Energy (China) and Jemmytex (Taiwan) as system integrator partners.

The FCgen™-1020ACS fuel cell product is our primary stack platform in the back-up power market. Shipment of fuel cell stacks to backup power market customer in 2010 totalled 1,716 units which represented 40% growth compared to 2009 shipment levels.

Although Ballard dissolved the Ebara joint venture company, it will continue to sell its FCgen™-1030v3 fuel cell product for applications such as residential cogeneration, including supply of this product to Baxi Innotech GmbH ("**Baxi Innotech**") for the German Callux Project. On March 11, 2009, Ballard entered into a three-year supply agreement with Baxi Innotech, the leading European developer and manufacturer of fuel cell micro combined heat and power ("**mCHP**") units. Under the agreement, Baxi Innotech will exclusively purchase Ballard fuel cells through to the end of Phase 2 of the German Callux Project, scheduled to conclude in 2012.

Distributed Generation

Large scale distributed generation ("**DG**") is an exploratory new market for Ballard. Market research has shown that there is a large niche opportunity for PEM fuel cell solutions where two key factors exist: 1) the presence of low cost by-product hydrogen, and 2) a feed-in-tariff program or renewable portfolio standard legislation to underpin the demand for clean electricity generation. With a fuel cell system, the by-product hydrogen can be used to produce electricity that is either sold back to the grid, through the electric utility, or used to offset power demands on site. Power production through fuel cells is the highest efficiency, most environmentally responsible way to utilize the hydrogen. Although it is too soon to say how large this market will be for Ballard in the future, initial indications show that the addressable market is in the order of 500 – 1000 MW, from primary sources of by-product hydrogen only.

We first entered into this space in 2009, with the announcement of the supply agreement to deliver a one megawatt solution utilizing our motive power fuel cells to FirstEnergy, an Ohio based energy company, for use in a utility load management demonstration project. We provided a complete turnkey power generation solution to FirstEnergy, rather than supplying fuel cell stacks to a systems integrator; this is a different channel strategy than our other stationary segments, and one we feel is appropriate for this market. The unit was shipped in the third quarter of 2010, and began operation on November 1, 2010. The unit will be operated for demonstration purposes for the next five years and will serve as an important reference site for underpinning future growth in this market.

The second generation DG product currently under development is the Ballard CLEARgen™ fuel cell system, a modular 1 MW unit comprised of three independent power banks that enable high overall uptime and power availability, based on the FCgen™-1300 fuel cell platform In addition to being the lowest cost option, this platform enables the highest efficiency system design.

On August 5, 2010, Ballard and K2 Pure Solutions ("**K2**") entered into a sales agreement for deployment of a clean energy fuel cell power generator to be sited at a K2 bleach plant in Pittsburg, California. The 163 kilowatt CLEARgen™ fuel cell system will convert by-product hydrogen into clean load-following electricity that will partially offset power demand at the bleach plant. By supplementing its power requirements, K2 will displace approximately 220 tons of CO2 emissions annually, equivalent to removing almost 40 passenger cars from the road. The agreement with K2 was finalized with the receipt of a routine air permit exemption for the fuel cell system from the Bay Area Air Quality Management District and a final reservation notice letter for a grant from California's Self Generation Incentive Program. Installation and commissioning of the generator is planned for completion in early–to-mid 2012.

On December 20, 2010 Ballard entered into a contract for the sale of 1.25 MW of our FCgen™-1300 product, together with engineering support services, to Real Time Engineering PTE Ltd. ("**RTE**"), a Singapore-based system integrator. RTE intends to produce a 1 MW distributed power generator for deployment in Singapore. Product deliveries to RTE will begin this year, with commissioning of the 1 MW fuel cell generator targeted for 2012.

Contract Technical Services and Manufacturing Services

We provide AFCC with manufacturing, testing and other engineering services. The areas of service selected were those in which a longer-term synergy of efforts to meet both Ballard and AFCC requirements could be met. We manufacture for Daimler the fuel cell products required for their existing vehicle programs. We provide manufacturing engineering services and manufacture experimental and prototype fuel cell products for AFCC's research and product development requirements. We provide AFCC with both failure analysis services and fuel cell test stand maintenance. We also provide services in the area of engineering simulation and modeling.

Information technology support ended in 2010 as planned. Ballard continues to provide EH&S support services and test stand maintenance services to AFCC.

We anticipate providing AFCC with these services at least through 2011, but our service contracts may be terminated by AFCC with six-months notice. AFCC's requirement for our services is dependent on, among other things, the continued funding of their operations by Daimler and Ford, which is not certain, especially given current economic conditions.

Material Products

We develop, manufacture and sell carbon-based engineered material products into a variety of markets. These products are in the form of roll goods as either woven carbon fiber textile fabrics or as carbon fiber papers. A major application for carbon fiber fabrics is the friction surface in torque converters for light vehicle automatic transmissions. We are a Tier 1 supplier with QS-9000 and TS-16949 quality certification. In 2010, we negotiated a six-year extension to our exclusive supply contract for this product by one of our automotive manufacturing customers, valued at more than $60 million. The use of our product is also expanding at a second automotive OEM and expanding globally with multiple new applications in Europe and the Far East. Orders have increased in 2010 and this trend is expected to continue into 2011.

The GDL is a significant component at the core of the fuel cell, allowing the uniform diffusion of hydrogen and air towards the electrocatalyst, and releasing water as the chemical reaction is complete. The quality of the GDL plays an important role in the overall performance and cost of a fuel cell. Our AvCarb™ GDL materials are available in continuous rolls, and are designed to enable MEAs to be manufactured using high-speed automated assembly techniques. The first two members of this family of products are the AvCarb™ P-50 and the AvCarb™ P-50T, which include a Teflon® coating. The fuel cell gas diffusion layer (GDL) supply business continues to steadily grow. We supply several key fuel cell industry participants (UTC Power, BASF, 3M and Johnson Matthey) with GDLs for both PEM and non-PEM platforms, and we use our GDLs in our own fuel cell products.

We also provide material supply chain management services to our customers, where we manage several subcontractor suppliers.

Impact of Regulations and Public Policy

United States

In October 2008, the fuel cell investment tax credit - first included in the *Energy Policy Act of 2005* – was revised and extended. End users are now able to deduct from their tax liability 30% of the cost of installing a fuel cell (or $3000/kw, whichever is less) through 2017. The continued availability of this tax credit is expected to help drive demand for fuel cell products.

At the state level, the California Self-Generation Incentive Program, which is funded by ratepayers and administered by utilities, provides incentives of $2500/kW for power plants that operate on hydrogen from non-renewable resources and $4500/kW for those that operate on hydrogen from renewable resources. The program is funded annually and guidelines are published in a yearly handbook.

Other Jurisdictions

As of 2009, feed-in tariff policies have been enacted in 63 jurisdictions around the world to encourage the adoption of renewable energy sources. Under a feed-in tariff, utilities are obligated to buy electricity from all eligible participants at rates based on the cost of renewable energy generation, which enables a diversity of projects to be developed at a reasonable return on investment. The rates are typically designed to ratchet downward over time to track technology improvements and overall cost reductions. Feed-in tariff programs also typically offer long-term (15–25 year) guaranteed purchase contracts for the electricity generated from such projects. Programs that support energy generation from hydrogen sources are expected to help drive demand for fuel cell products.

Research and Product Development

Ballard conducts research in improving the cost, durability and fundamental understanding of the MEA and its sub-components. In addition, greater development focus is being placed on the capability of MEAs operating on reformate fuels, reflecting customer needs in the non-automotive markets.

Intellectual Property

Ballard's technical strengths lay in our proprietary MEA design, combined with our extensive stack and system integration capabilities, which enables development of complete end-user systems that meet or exceed customer specifications, across a wide range of market applications.

Our intellectual property covers multiple aspects of our technology, including: materials and components; cell, stack and systems architecture; stack/system operation and control; and manufacturing processes. Our intellectual property portfolio is not limited to our patents and patent applications; it also includes know-how and trade secrets developed over more than 25 years of research and product development.

In connection with the AFCC Transaction in January 2008, transferred approximately 485 patents and patent applications to IP Holdings, a holding company. We then entered into a licence agreement with IP Holdings evidencing our exclusive right to the intellectual property rights for non-automotive applications. As of January 31, 2011, Ballard owns or controls through IP Holdings, patents approximately as follows: 100 United States granted patents, 45 non-United States granted patents, 30 United States published patent applications and 80 published non-United States patent applications. Our patents will expire between 2011 and 2027.

We will continue to leverage our intellectual property as our markets develop, to generate licensing revenue or to obtain access to markets and/or technologies through cross-licensing, for example. To date, we hold exclusive and non-exclusive licence rights to additional intellectual property from a number of third parties, including licences to approximately 2,000 patents and patent applications included in the AFCC Transaction. These licences include royalty-free access to all of the intellectual property rights held by NuCellSys GmbH ("**NuCellSys**"), Daimler subsidiary, as well as royalty-free access to all of the intellectual property rights relating to fuel cells developed by Daimler, Ford and their subsidiaries (either directly or through AFCC) for so long as we continue to be a shareholder of AFCC.

Manufacturing

Our fuel cell manufacturing facility is located in Burnaby, British Columbia and is designed to provide the manufacturing capacity necessary to meet expected product demand through the initial market introduction and early adoption phase. As product demand grows, we will increase capacity either by further investment in automation to improve throughput, while decreasing both costs and footprint, or, in outsourcing selective manufacturing processes.

Many of the components and materials we use to manufacture our fuel cell products are unique and have been developed in conjunction with Suppliers and our R&D and Engineering Teams. Strategic relationships have been developed with these key Suppliers to ensure security of supply, protection of our intellectual property, and adherence to our strict quality and reliability standards.

In Burnaby, we have an Integrated Management System registered to ISO 9001 and TS16949 standards, as well as robust internal practices in the areas of environment, health and safety. We also strive for continuous manufacturing improvement through practices such as Lean Manufacturing, 5-S and advocacy of Six Sigma.

Our facility in Lowell, Massachusetts, produces friction products for the automotive industry as well as GDL product for both ourselves and others in the fuel cell market. As a Tier 1 automotive supplier, this facility is both ISO 9001 and QS 9000 registered and specializes in continuous roll-to-roll manufacturing processes.

Facilities

We currently have the following principal facilities: (a) a leased 116,797 square foot (10,850 square meter) facility in Burnaby, British Columbia that houses our corporate headquarters, and our fuel cell development and testing activities; (b) a leased 112,000 square foot (10,398 square meter) facility in Burnaby, British Columbia that houses our operations staff and our manufacturing facilities; (c) a 137,000 square foot (12,728 square meter) facility in Lowell, Massachusetts, owned by us, that is used for the development and manufacture of carbon fiber products; and (d) a leased 4100 square foot (381.5 square meter) facility in Hobro, Denmark.

We are committed to developing and manufacturing products, and operating all of our facilities, in full compliance with all applicable local, regional, national and international environmental, health and safety regulatory standards. Our commitment is reflected in our corporate "Quality, Safety and Environmental Policy and Guiding Principles", and our underlying programs and initiatives. We have completed a detailed environmental assessment of our operations in Burnaby. In turn, we developed policies, procedures, and work instructions to manage environmental matters including air, water, and waste management and reduction, transportation of dangerous goods, environmental impact and hazard assessment, and internal and external recycling programs.

Human Resources

As of December 31, 2010, we had approximately 440 employees, 360 in Canada, 40 in the United States and 40 in Denmark, representing such diverse disciplines as electrochemistry, polymer chemistry, chemical, mechanical, electronic and electrical engineering, manufacturing, marketing, sales, business development, legal, finance, human resources, information technology and business management. Our employees in Canada and the United States are not represented by any labour union. In Denmark, there are two groups of technical employees subject to collective agreements, totalling less than 15 employees. Each employee must agree to confidentiality provisions as part of the terms of his or her employment, and certain employees have also executed non-competition agreements with us.

Competition

Competition for our products comes from existing power technologies, improvements to existing technologies and new alternative energy technologies. Each of our target markets is currently served by manufacturers that offer proven and widely accepted technologies, and have established customers and suppliers. In each of our target markets, these and other competitors are also developing alternative energy technologies.

Fuel Cell Products and Servicing

Motive Power

Material Handling

Existing Technologies. Class 2 and Class 3 forklift trucks are currently dominated by lead-acid battery-powered solutions, as are Class 1 forklift trucks intended for indoor applications. Internal combustion engine ("**ICE**") power is typically seen as the solution for forklift trucks in Classes 4, 5, 6 and 7, generally, and in Class 1 for outdoor applications. We believe that fuel cell systems are superior to batteries in Class 1, Class 2 and Class 3 forklift trucks because of their ability to provide extended run time without frequent and lengthy battery replacement and recharging cycles. For high-throughput, multi-shift warehouse or manufacturing operations, fuel cell products can provide a lower life cycle cost and total cost of ownership when compared with traditional lead-acid battery solutions.

Fuel Cells. Companies developing fuel cell systems for material handling applications include Toyota, Hydrogenics, and Nuvera. We seek to gain a competitive advantage through fuel cell designs that provide superior performance, efficiency, durability and cost.

Emerging Technology. Advanced battery technology continues to make progress in the material handling market. However, advanced battery technology still requires significant time for recharging and, in many cases, cannot meet desired run times without requiring spare batteries and substantial space for battery charging and storage. These issues are addressed by fuel cell technology.

Buses

Existing Technologies. Diesel-powered buses currently dominate the market today. Compressed natural gas (" **CNG**") buses have also become popular as a lower-emission alternative to diesel buses, however, their capital and operating costs are higher. Electric trolley buses provide a zero-emission alternative, however, their purchase price is high and the overhead catenary power infrastructure is expensive to maintain and is considered aesthetically undesirable in many urban centres. We believe that fuel cells are the best zero-emission alternative for transit applications. They offer much greater fuel efficiency than conventional diesel buses, eliminate greenhouse gas emissions and eliminate the need for unsightly overhead catenary wires.

Fuel Cells. Companies developing fuel cell systems for transit bus applications include United Technologies, Hydrogenics and Nedstack. We seek to gain a competitive advantage through fuel cell designs that provide superior performance, efficiency, durability and cost. Ballard has been demonstrating fuel cells in transit bus applications since 1991. We are now delivering our sixth-generation heavy-duty fuel cell product, the FCvelocity™-HD6, in both 75kW and 150kW configurations specifically designed for fuel cell hybrid drive transit bus applications. We believe that we have accumulated far more operating hours in real transit operations than any other fuel cell manufacturer. This experience has enabled us to produce more reliable, more durable and easier to integrate products than our competitors.

Emerging Technology. Electric hybrid drive systems are quickly displacing conventional mechanical drives for transit bus applications offering better fuel economy and lower emissions. These are primarily being driven by diesel engines in diesel hybrid drive configurations. Other variations available today include gasoline hybrid buses and CNG hybrid buses. Fuel cells are easily adapted to a hybrid drive system to produce a bus with even greater fuel efficiency than diesel hybrid buses and no greenhouse gas emissions. Recently, hydrogen internal combustion engines have been demonstrated in transit buses with both conventional and hybrid drive systems. These have not been widely adopted primarily because of very low fuel efficiency, low power and low operational reliability.

Stationary Power

Back-up Power

Existing Technology. The back-up power market is currently dominated by ICEs and batteries. We believe that PEM fuel cell products are superior to batteries, because of their ability to provide extended run time without frequent or lengthy recharging, as well as their ability to offer lower life cycle costs, given that batteries require periodic replacement.

Fuel Cells. Companies developing PEM fuel cell systems for back-up power applications include Hydrogenics, IdaTech, Distributed Energy Systems and ReliOn. We seek to gain competitive advantage through fuel cell designs that provide superior performance, efficiency, durability and cost. Some of our competitors purchase, or are considering the purchase of, PEM fuel cell products from us for use in some of their products.

Emerging Technology. Advanced battery technology continues to make modest progress in the back-up power generation market. However, advanced battery technologies still require lengthy recharging and, in many cases, cannot meet desired run times without requiring substantial space. These issues are addressed by PEM fuel cell technology.

Distributed Generation

Existing Technology. The distributed generation market is large and varied. As such, depending on the application, advanced batteries, diesel gen sets or natural gas gen sets would be considered as current technologies.

Fuel Cells. Companies developing PEM fuel cell systems for distributed generation market applications include Nedstack and Hydrogenics. Companies developing other fuel cell systems for this market are United Technologies Corporation (phosphoric acid fuel cells), Fuel Cell Energy (molten carbonate fuel cells) and Bloom Energy (solid oxide fuel cells).

Emerging Technology. Hydrogen fuelled IC engines or advanced battery technologies are emerging as competitive technologies. Fuel cell systems offer significant efficiency and emissions improvements over hydrogen fuelled IC engines. Advanced battery technologies cannot meet desired run times without requiring substantial capital cost and installation space. These issues are addressed by PEM fuel cell technology.

Material Products

Friction Products

Existing Technology. The supply base for friction materials is highly fragmented with many suppliers each supplying a limited range of products based on their technological expertise. Ballard competes in a niche area where the friction characteristics and durability of carbon fabrics make them desirable for high performance applications in the automotive industry. Competitors include the SGL Group, Toray and Toho Tenax.

Emerging Technology. Using its unique capabilities to modify the construction of carbon fabrics and to tailor the components of carbon-containing composites, Ballard is working with component and system suppliers to the automotive and other transportation industries to develop advanced carbon friction materials for more demanding applications which improve fuel economy by enabling a more efficient powertrain design.

Fuel Cell Products

Existing Technology. Ballard supplies carbon fabric and carbon fiber paper GDL materials to MEA and fuel cell stack producers. Competitors include the SGL Group, Mitsubishi and Toray.

Emerging Technology. To meet the ever-demanding performance requirements, Ballard's efforts have been aimed to maximize the fluid transport characteristics of these materials by modifying their construction, while at the same time developing more efficient production processes to drive the cost of GDLs down.

SHARE CAPITAL AND MARKET FOR SECURITIES

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As of March 9, 2011, our issued share capital consisted of 84,321,630 common shares. Our common shares are listed and trade on the Toronto Stock Exchange ("**TSX**") under the symbol "BLD" and on the National Association of Securities Dealers Automated Quotation Global Market (" **NASDAQ**") under the symbol "BLDP".

The following table shows the monthly trading activity for our common shares on the TSX and NASDAQ during 2010:

	TSX		NASDAQ	
	Price Range (CDN$)	**Average Daily Volume (#)**	**Price Range (U.S.$)**	**Average Daily Volume (#)**
January	$1.97-2.78	171,142	$1.92-$2.53	457,221
February	$2.23-2.51	57,982	$2.07-2.40	180,631
March	$2.33-3.20	138,969	$2.24-3.15	806,917
April	$2.33-2.74	70, 371	$2.32-2.74	313,312
May	$2.03-2.44	53,403	$1.94-2.40	212,631
June	$1.64-2.02	91,416	$1.56-1.95	441,882
July	$1.68-1.92	49,123	$1.60-1.85	171,115
August	$1.73-2.07	64,408	$1.69-2.00	195,757
September	$1.73-1.92	30,520	$1.67-1.83	101,937
October	$1.72-1.83	42,969	$1.68-1.79	177,100
November	$1.34-1.78	218,644	$1.32-1.78	279,419
December	$1.37-1.59	112,913	$1.36-1.59	408,010

The holders of our common shares are entitled to one vote for each share held on all matters to be voted on by such shareholders and, subject to the rights and priorities of the holders of preferred shares, are entitled to receive such dividends as may be declared by our Board out of funds legally available therefor and, in the event of liquidation, wind-up or dissolution, to receive our remaining property, after the satisfaction of all outstanding liabilities.

Our preferred shares are issuable in series and our Board is entitled to determine the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to each series of such shares. Currently there are no preferred shares outstanding.

DIVIDEND RECORD AND POLICY

To date, we have not paid any dividends on our shares and, because it is anticipated that all available cash will be needed to implement our business plans, we have no plans to pay dividends in the immediate future.

DIRECTORS AND OFFICERS

Board of Directors

The following chart provides the following information as of March 9, 2011: the name and province or state of residence of each of our directors; each director's respective positions and offices held with Ballard, their principal occupation during the past five years; the period of time each has served as a director; and the number of shares and deferred share units (the "**DSUs**") beneficially owned or controlled by each of them.

Name, Province/State and Country of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
Ian A. Bourne Alberta, Canada	Corporate Director and Chair of the Board of Ballard since January 2007. Formerly Executive Vice President and Chief Financial Officer of TransAlta Corporation (*electricity generation and marketing*) from January 1998 to December 2006, and from January 1998 to December 2005, respectively.	2003	26,824/0.032%	77,707/26.72%
Edwin J. Kilroy Ontario, Canada	Corporate Director of Ballard. Formerly Chief Executive Officer of Symcor Inc. (*business process outsourcing services*) from January 2005 to November 2010.	2002	2752/0.003%	42,844/14.73%
Dr. Chong Sup (C.S.) Park California, U.S.A.	Corporate Director of Ballard. Formerly Chairman of the Board and Chief Executive Officer of Maxtor Corporation (*storage solutions and hard disk drives*) from November 2004 to May 2006.	2007	17,091/0.020%	0/0%

Name, Province/State and Country of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
John W. Sheridan British Columbia, Canada	President and Chief Executive Officer of Ballard since October 2005.	2001	298,765/0.354%	57,943/19.93%
David J. Smith British Columbia, Canada	Corporate Director of Ballard. Member, British Columbia Securities Commission since July 2006. Counsel with Lawson Lundell LLP (*law firm*) from May 2005 to April 2006.	2006	8,411/0.010%	14,841/5.10%
David B. Sutcliffe British Columbia, Canada	Corporate Director of Ballard. Corporate Director of Sierra Wireless, Inc.	2005	3,600/0.004%	25,528/8.78%
Mark A. Suwyn Florida, U.S.A.	Corporate Director of Ballard. Formerly Executive Chairman of the Board of NewPage Corporation (*coated paper*), from March 2009 to June 2010; Acting Chief Executive Officer from March 2009 to January 2010; and Chief Executive Officer and Chairman of the Board from April 2006 and May 2005, respectively.	2003	7,237/0.009%	35,019/12.04%

Name, Province/State and Country of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
Douglas W.G. Whitehead British Columbia, Canada	Corporate Director of Ballard. Chairman of Finning International Inc. (*heavy equipment reseller*). Formerly President and Chief Executive Officer of Finning International from 1999 to May 2008.	1998	5,383/0.006%	36,916/12.69%

Notes

(1) The information as to place of residence, principal occupation, business or employment of, and shares beneficially owned, or controlled or directed, directly or indirectly, by a director is not within the knowledge of our management and has been furnished by the director. Information on shares beneficially owned, or controlled or directed is accurate as at March 9, 2011.

(2) Rounded to the nearest whole number. Information is accurate as at March 9, 2011. In reviewing the status of Ballard's share incentive plans in connection with the transaction with Superior Plus Income Fund, Ballard determined that a total of 169,276 DSUs had been issued to directors in excess of a limitation set out in Ballard's 2003 Share Distribution Plan. Shareholders approved the grant of these DSUs at its annual general meeting in 2009. Starting in 2009, all elements of director compensation are paid in cash. Ballard does not plan in the near future to issue further DSUs to directors as compensation.

Directors are elected yearly at our annual shareholders' meeting and serve on the Board until the following annual shareholders' meeting, at which time, they either stand for re-election or leave the Board. If no meeting is held, each director serves until his or her successor is elected or appointed, unless the director resigns earlier.

Corporate Governance

Our Board and senior management consider good corporate governance to be central to our effective and efficient operation. We monitor corporate governance initiatives as they develop and benchmark industry practices to ensure that we are in compliance with corporate governance rules and best practices.

Our corporate governance practices are reflected in our "Corporate Governance Guidelines", which provide for director qualification standards, director responsibilities, the form and amount of director compensation, director orientation and continuing education, management succession planning and performance evaluation of the Board. A copy of the Corporate Governance Guidelines can be found on our website.

We also reviewed our internal control and disclosure procedures, and are satisfied that they are sufficient to enable our Chief Executive Officer and Chief Financial Officer to certify our interim and annual reports filed with Canadian securities authorities, and to certify our annual reports filed with or submitted to the United States Securities and Exchange Commission ("**SEC**").

Board Composition

All of our directors are independent except for John Sheridan, our President and Chief Executive Officer. "Independence" is judged in accordance with the provisions of the United States *Sarbanes-Oxley Act of 2002* ("**Sarbanes-Oxley**"), and as determined by the Canadian securities regulatory authorities ("**CSA**") and the NASDAQ. We conduct an annual review of the other corporate boards on which our directors sit, and have determined that currently there are no board interlocks with respect to our directors. The Board has also established a guideline for the maximum number of corporate boards on which a director should sit. This guideline has been set at five corporate boards (not including non-profit boards).

The Board established director resignation guidelines, which set out the circumstances under which a director would be compelled to offer a resignation or be asked to resign, including a majority voting policy. This policy requires that any nominee for director who receives a greater number of votes "withheld" than "for" his or her election shall tender his or her resignation to the Board following our annual shareholders' meeting, to take effect immediately upon acceptance by the Board. Upon receipt of such conditional resignation, the Corporate Governance Committee will consider the matter and, as soon as possible, make a recommendation to the full Board regarding whether or not such resignation should be accepted. After considering the recommendation of the Corporate Governance Committee, the Board will decide whether or not to accept the tendered resignation and will, not later than 90 days after the annual shareholders' meeting, issue a press release which either confirms that they have accepted the resignation or provides an explanation for why they have refused to accept the resignation. The director tendering his or her resignation will not participate in any meeting of the Board or the Corporate Governance Committee, which considers the resignation. Subject to any restrictions or requirements contained in applicable corporate law or Ballard's constating documents, the Board may: (a) leave a resulting vacancy unfilled until the next annual shareholders' meeting; (b) appoint a replacement director whom the Board considers merits the confidence of the shareholders; or (c) call a special meeting of shareholders to elect a replacement director nominated by management. The policy does not apply in respect of any contested shareholders' meeting, which is any meeting of shareholders where the number of nominees for director is greater than the number of directors to be elected.

Share Ownership Guidelines

We have minimum share ownership guidelines that apply to our independent directors. The guidelines require each director to hold the lesser of:

(i) the number of our shares having a value equivalent to five times the director's annual Board retainer or, in the case of the Chair of the Board, a value equivalent to three times the Chair's annual retainer, in each case with such number of shares calculated using the then-applicable share price of our shares, determined on an annual basis; and

(ii) the number of our shares having a value equivalent to five times the director's annual Board retainer or, in the case of the Chair of the Board, a value equivalent to three times the Chair's annual retainer, in each case with such number of shares calculated using the closing price of our shares on May 12, 2006.[3]

Directors that were members of the Board at the time the guidelines were adopted in July 2003 had until July 2008 to comply with this requirement. Directors elected subsequently have five years from the date that they are first elected to the Board to comply. The Chair of the Board has five years from his original appointment as Chair in February 2006 to satisfy the minimum share ownership requirements for the Chair. Directors may apply the DSUs, which they received as payment for all or part of their annual retainer in prior years, towards the minimum share ownership requirements. Any director who fails to comply with the share ownership requirement may not stand for re-election. Currently, all directors have met or are on track to achieve these guidelines.

Roles and Responsibilities

The Board operates under a formal mandate (a copy of which is attached as Appendix "A" and is posted on our website), which sets out its duties and responsibilities, including matters such as corporate strategy, fiscal management and reporting, selection of management, legal and regulatory compliance, risk management, external communications and performance evaluation. The Board has also established terms of reference for individual directors (a copy of which is attached as Appendix "B" and is posted on our website), which set out the directors' individual responsibilities and duties. These terms of reference serve as a code of conduct with which each director is expected to comply, and address matters such as conflicts of interest, the duties and standard of care of directors, the level of availability expected of directors, requirements for maximizing the effectiveness of Board and committee meetings, and considerations that directors are to keep in mind in order to make effective and informed decisions.

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[3] Based on the closing price of our shares on the TSX in cases where the retainer is paid in Canadian dollars (which closing price was C$8.78 on May 12, 2006) or on the NASDAQ in cases where the retainer is paid in United States dollars (which closing price was $7.98 on May 12, 2006).

The Board has also established terms of reference for the committee chairs, our Chief Executive Officer and our Chair of the Board. In addition, we have a Board-approved "Code of Ethics", which applies to all members of the Board, as well as our officers and employees. A copy of the Code of Ethics and the terms of reference for the committee chairs, our Chief Executive Officer and our Chair of the Board can be found on our website. All of these documents are reviewed annually, and are updated or revised as necessary.

The Chair of the Board is responsible for ensuring the appropriate organization, content and flow of information to the Board and that all concerns of the directors are addressed. The Chair of the Board reviews and sets the agenda for each Board meeting. The Chair of the Board is also responsible for organizing and setting the frequency of Board meetings and ensuring that Board meetings are conducted efficiently. The Chair of the Board is an independent director.

Each year, the Board identifies a list of focus priorities for the Board during the year. The Corporate Governance Committee regularly monitors the Board's progress against these focus priorities throughout the year.

Board Orientation and Education

We have established a formal director orientation and ongoing education program. Upon joining our Board, each director receives an orientation regarding our business. Such orientation consists of site visits to all of our manufacturing facilities, presentations regarding our business, technology and products, and a manual that contains various reference documents and information. Continuing education is offered by way of ongoing circulation of informative materials aimed at topical subject matters and management presentations at Board meetings, as well as guest speakers who are invited to speak to our Board on various topics. In the past, we have invited guest speakers to speak to our Board about the fuel cell industry, government regulation, corporate governance and risk management, and internal management representatives to speak about various issues relating to our technology and business. The educational presentations that are made by internal management provide an opportunity for Board members to meet and interact with members of our management team.

Shareholder Feedback and Communication

We have set up an e-mail process for shareholders to communicate with the Board, through the Chair of the Board. Shareholders who wish to send a message to the Chair of the Board can find the details of this process on our website. In addition, a summary of shareholder feedback that is received by us is provided to the Board through a semi-annual report.

Board and Director Performance Evaluations

Each year, the Board conducts an evaluation and review of its performance during the past year. The evaluation is conducted through a process determined from time to time by the Corporate Governance Committee which elicits responses from individual directors on a confidential basis regarding the Board and individual directors. The process may include the completion of a questionnaire by all of the directors as well as individual director self-evaluations and peer evaluations. The Corporate Governance Committee presents the summary results to the full Board, which then, based on the results of the evaluation, determines appropriate changes to improve board effectiveness.

Compliance in Canada and the United States

We believe that we comply with all applicable CSA and NASDAQ corporate governance rules and guidelines. The CSA requires that listed corporations subject to *National Instrument 58-101 - Disclosure of Corporate Governance Practices* ("**NI 58-101**") disclose their policies respecting corporate governance. We comply with NI 58-101, which addresses matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. We are exempt from the NASDAQ corporate governance rule requiring that each NASDAQ quoted company has in place a minimum quorum requirement for shareholder meetings of 33 1/3% of the outstanding shares of the company's voting common stock. Our by-laws currently provide that a quorum is met if holders of at least five percent of the votes eligible to be cast at a shareholders' meeting are present or represented by proxy at the meeting.

The CSA's *National Policy 58-201 – Corporate Governance Guidelines* requires that a board have a majority of independent directors. If a director is an executive officer, general partner, managing member, or both a director and an employee of an "affiliated entity", that director will not be independent. In such a case, the board of directors should, in addition to having a majority of independent directors, include a number of directors who do not have interests in, or relationships with, either the company or the affiliated entity and should be constituted to fairly reflect the investment in the company by shareholders other than the affiliated entity. An "affiliated entity" of a company is defined as, among other things, an entity that can "control" the company, directly or indirectly, thereby determining the direction of management and policies of the company, whether by share ownership or otherwise. As we are not "controlled" by another entity, none of our directors act as representatives of an affiliated entity.

Board Committees

Our Board has established three standing committees: the Audit Committee; the Management Development, Nominating & Compensation Committee; and the Corporate Governance Committee. Each of these committees has been delegated certain responsibilities, performs certain advisory functions, and either makes certain decisions or makes recommendations to the full Board. Each of the committee chairs reports on the activities of the committee to the Board following each committee meeting. None of the members of these committees are current or former officers or employees of ours, or any of our subsidiaries.

In July 2009, in support of the Corporation's cost reduction initiatives, the Board decided to reduce the size of the standing committees. This was accomplished by providing that committee chairs no longer maintain membership on multiple committees.

Audit Committee

The Audit Committee is constituted in accordance with SEC rules, applicable securities laws and applicable NASDAQ rules, and assists the Board in fulfilling its responsibilities by reviewing financial information, the systems of corporate controls and the audit process.

The Audit Committee is responsible for overseeing the audit process and the preparation of our financial statements, ensuring that our financial statements are fairly presented in accordance with generally accepted accounting principles, approving our quarterly financial statements, and reviewing and recommending to the Board our year-end financial statements and all financial disclosure contained in our public documents. The Audit Committee meets with our financial officers and our internal and external auditors to review matters affecting financial reporting, the system of internal accounting and financial disclosure controls and procedures, and the audit procedures and audit plans. The Audit Committee reviews our significant financial risks and the appointment of senior financial executives, and annually reviews our insurance coverage, tax loss carry forwards, pension and health care liabilities, and off-balance sheet transactions. The Audit Committee has at least one member, Ian A. Bourne, who qualifies as an audit committee financial expert under applicable securities regulations. All of the members of the Audit Committee are independent directors and are financially literate.

The Audit Committee is responsible for recommending the appointment of our external auditors (for shareholder approval at our annual general meeting), monitoring the external auditors' qualifications and independence, and determining the appropriate level of remuneration for the external auditors. The external auditors report directly to the Audit Committee. The Audit Committee also approves in

advance, on a case-by-case basis, any services to be provided by the external auditors that are not related to the audit. The following table shows the costs incurred with KPMG in 2010 and 2009 for audit and non-audit related work, all of which were approved by the Audit Committee:

Type of Audit Fees	2010	2009
Audit Fees	$353,302	$340,089
Audit-Related Fees(1)	Nil	$9,587
Tax Fees(2)	$19,265	$6,115
All Other Fees	Nil	Nil

Notes

(1) The Audit-Related Fees for 2009 relate primarily to accounting advice for IFRS compliance.

(2) The Tax Fees for 2010 and 2009 related to tax advisory services.

In addition, the Audit Committee is mandated to review all financial disclosure contained in prospectuses, annual reports, annual information forms, management proxy circulars and other similar documents. The Audit Committee is also responsible for ensuring that the internal audit function is being effectively carried out. The Audit Committee reviews and approves, in advance, related party transactions on a case-by-case basis.

As of March 9, 2011, the committee was composed of Ian A. Bourne, Edwin J. Kilroy (Chair), Mark A. Suwyn and Douglas W.G. Whitehead, all of whom are independent of management. In addition to each committee member's general business experience, the education and experience of each member that is relevant to the performance of his or her responsibilities as a member of the Audit Committee is set forth below.

Mr. Bourne is a Corporate Director and Chair of the Board of Ballard. He was TransAlta Corporation's Executive Vice President from January 1998 to December 2006. From January 1998 to December 2005, Mr. Bourne was the Chief Financial Officer of TransAlta and was responsible for all financial policy, planning and reporting, as well as tax, treasury and risk management planning and implementation. He sits on the boards of SNC-Lavalin Group, Canadian Public Accountability Board, Wajax Corporation (formerly Wajax Income Fund), Canada Pension Plan Investment Board, Canadian Oil Sands Trust and the Calgary Foundation. Mr. Bourne has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

Mr. Kilroy is a Corporate Director of Ballard. He was the Chief Executive Officer of Symcor Inc. from January 2005 to November 2010. Prior to that, Mr. Kilroy was the Chief Executive Officer of IBM Canada Ltd. from April 2001 to January 2005.

Mr. Suwyn is a Corporate Director of Ballard. He was the Executive Chairman of the Board of NewPage Corporation, from March 2009 to June 2010; the Acting Chief Executive Officer from March 2009 to January 2010; and Chairman of the Board and the Chief Executive Officer since May 2005 and April 2006, respectively. Mr. Suwyn was the President of Marsuw Investment from November 2004 to April 2005. From January 1996 to October 2004, Mr. Suwyn was also the Chairman of the Board and the Chief Executive Officer of Louisiana-Pacific Corporation. He sits on the board of BlueLinx Corporation.

Mr. Whitehead is the Chairman of Finning International Inc., and was elected to Finning International's board of directors on April 23, 1999. Mr. Whitehead was President and Chief Executive Officer of Finning International from 1999 to May 2008. Mr. Whitehead is also a director of International Forest Products Inc., INMET Mining Corporation, Belkorp Industries Inc. and Vancouver General Hospital/University of British Columbia Hospital Foundation.

The Audit Committee operates under a mandate that is approved by the Board and which outlines the responsibilities of the Audit Committee. A copy of the Audit Committee's mandate is attached as Appendix "C" and is posted on our website. This mandate is reviewed annually and the Audit Committee's performance is assessed annually through a process overseen by the Corporate Governance Committee.

Management Development, Nominating & Compensation Committee

The Management Development, Nominating & Compensation Committee is responsible for considering and authorizing the terms of employment and compensation of executive officers and providing advice on compensation structures in the various jurisdictions in which we operate. In addition to approving the compensation of our executive officers, the committee also regularly reviews and sets the minimum share ownership requirement for executive officers. The committee also provides advice on our organizational structure, reviews all distributions under our equity-based compensation plans, and reviews and approves the design and structure of, and any amendments to, those plans. The committee seeks out and recommends nominees for election to the Board, annually reviews the Board succession plan and annually reviews the composition of director talents and skills against Board requirements to identify any gaps.

The committee ensures appropriate senior management succession planning, recruitment, development, training and evaluation. In particular, the committee annually reviews the performance objectives of our Chief Executive Officer and is

responsible for conducting his annual performance evaluation. Any compensation consultants engaged by us, at the direction of the committee, report directly to the committee, and the committee has the authority to appoint such consultants, determine their level of remuneration, and oversee and terminate their services. In 2009, the committee directly retained Towers Perrin (now Towers Watson) to provide independent compensation analysis and advice specifically related to Ballard executive compensation items and to establish 2009 pay target levels for Ballard executives.

As of March 9, 2011, the committee was composed of Ian A. Bourne, Edwin J. Kilroy, Dr. C.S. Park and David B. Sutcliffe (Chair), all of whom are independent of management. Following Dr. Sinclair's resignation from the Board in June 2010, the Board determined that another director should replace her on the Management Development, Nominating & Compensation Committee. Given Mr. Kilroy's previous experience serving on this committee, the Board approved his appointment as an exception to the requirement that committee chairs no longer maintain membership on multiple committees.

A copy of the Management Development, Nominating & Compensation Committee's mandate is attached as Appendix "D" and is posted on our website. The mandate is reviewed annually and the committee's performance is assessed annually through a process overseen by the Corporate Governance Committee.

Corporate Governance Committee

The Corporate Governance Committee is responsible for recommending to the Board the size of the Board, monitoring corporate governance, including the formation and membership of committees of the Board, conducting succession planning for the Chair of the Board and determining director compensation. The committee regularly reviews the level of director compensation and approves the design and structure of, and any amendments to, our director compensation plans. The committee is responsible for ensuring a formal process exists to evaluate the performance of the Board, Board committees, individual directors, and the Chair of the Board, and ensuring that appropriate actions are taken, based on the results of the evaluation, to improve the effectiveness of the Board.

The Corporate Governance Committee ensures that the Board complies with best corporate governance practices in Canada and the United States. The committee is also responsible for maintaining an ongoing education program for Board members.

As of March 9, 2011, the committee was composed of Ian A. Bourne, Dr. C.S. Park and David J. Smith (Chair), all of whom are independent of management. Mr. Smith has completed the Directors Education Program of the Institute of Corporate Directors and has received the ICD.D designation.

A copy of the Corporate Governance Committee's mandate is attached as Appendix "E" and is posted on our website. The mandate is reviewed annually and the committee's performance is assessed annually through a process overseen by the Board.

Executive Officers

As of March 9, 2011, we had five executive officers. The name and province or state of residence of each executive officer, the offices held by each officer and each officer's principal occupation during the last five years are as follows:

Name and Province/State of Residence	Position	Principal Occupation
John W. Sheridan British Columbia, Canada	President and Chief Executive Officer	Executive of Ballard.
Tony Guglielmin British Columbia, Canada	Vice President and Chief Financial Officer	Executive of Ballard. Formerly SVP Finance and Chief Financial Officer of Canada Line Rapid Transit Inc. (2005 to 2009)
Paul Cass British Columbia, Canada	Vice President, Operations	Executive of Ballard. Formerly Director, Operations of Ballard.
Michael Goldstein British Columbia, Canada	Vice President and Chief Commercial Officer	Executive of Ballard. Formerly President and Chief Executive Officer of Actuality Systems (2006 to 2009) and Independent Investment Banker and Consultant for MGA Partners (2003 to 2005).
Christopher J. Guzy British Columbia, Canada	Vice President and Chief Technical Officer	Executive of Ballard. Formerly General Manager of Global Product Company, GE Healthcare's product development and supply chain operations in Hungary (2001 to 2005).

Shareholdings of Directors and Senior Officers

As of March 9, 2011, our directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 565,837 of our common shares, being 0.67% of our issued and outstanding common shares, and 290,797 DSUs.

TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar is Computershare Trust Company of Canada, 100 University Avenue, 9 th Floor, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

Particulars of every contract that is material to Ballard, other than a contract entered into in the ordinary course of business that is not required to be disclosed under the CSA's *National Instrument 51-102 – Continuous Disclosure Obligations* , and that was entered into within the most recently completed financial year, or before the most recently completed financial year but is still in effect, are listed below.

Dantherm Power Acquisition

On January 18, 2010, Ballard acquired a controlling interest in Denmark-based Dantherm Power A/S (" **Dantherm Power**"), partnering with co-investors Danfoss Ventures A/S ("**Danfoss**") and Dantherm A/S ("**Dantherm**"). Pursuant to a share subscription agreement among Ballard, Dantherm, Danfoss and Dantherm Power (the "**Subscription Agreement**"), Ballard obtained an initial 45% interest in Dantherm Power including the right to nominate a majority of the members of the Board of Directors. In return, Ballard invested DKK 15m (approximately $3m) and contributed knowledge and intellectual property related to core fuel cell technology. On September 1, 2010, Ballard invested a further DKK 15m (approximately $3m) pursuant to the Subscription Agreement, increasing its interest in Dantherm Power to 52%.

As part of the acquisition, Ballard and Dantherm Power entered into a technology transfer agreement (the " **Technology Transfer and License Agreement**", dated January 18, 2010). Under the agreement, Dantherm Power transferred all Intellectual Property Rights relating to fuel cells or fuel cell systems. Ballard agreed to transfer certain Know-How to Dantherm Power and granted a non-exclusive, royalty-free license to Ballard Intellectual Property Rights for use in Stationary Power Systems.

Dantherm Power develops clean energy backup power systems, utilizing Ballard's fuel cell technology, for telecom equipment suppliers including Motorola and Ericsson. Dantherm Power will continue its current commercial initiatives, including sales of hydrogen-based products incorporating Ballard's fuel cell stack. In addition to its cash investment, Dantherm agreed to continue to provide operational support and collaborative sales and marketing activities through its worldwide sales organization.

Danfoss invested cash, proprietary technology, expertise, as well as operational and commercial assistance through its network of 93 sites in 25 countries. Executives from the three companies formed a new board of directors for Dantherm Power.

Ballard filed a Business Acquisition Report in respect of the Dantherm Power transaction on SEDAR on April 16, 2010.

As all of the remaining material contracts have been entered into in connection with either the AFCC Transaction or the Superior Plus Transaction, they are described below in conjunction with the more detailed description of the transaction to which they relate.

Detailed Description of the AFCC Transaction and Associated Material Contracts

The AFCC Transaction generally provided for the transfer of certain of our automotive fuel cell research and development assets (the "**Transferred Automotive R&D Assets**") to Daimler and Ford. The AFCC Transaction was implemented through: (a) our transfer to AFCC of the Transferred Automotive R&D Assets and the assumption by AFCC of our automotive fuel cell warranty liabilities to Daimler, Ford and their affiliates in return for a 100% equity interest in AFCC; (b) our transfer to Daimler of 50.1% of our equity interest in AFCC, an interest in and a licence to use certain of our intellectual property rights, and $36.2 million; (c) our transfer to Ford of 30.0% of our equity interest in AFCC, an interest in and a licence to use certain of our intellectual property rights, and $21.8 million; and (d) the transfer by Daimler and Ford of their entire direct and indirect shareholdings in Ballard to us for cancellation.

We valued the shares being returned to us by Daimler and Ford at $173.9 million. The AFCC Transaction is described more fully in the remainder of this section.

Transfer of Automotive Fuel Cell Research and Development Assets

AFCC, which is controlled by Daimler and Ford, was created to carry on the business involving the Transferred Automotive R&D Assets. As an initial step, we transferred to AFCC our automotive fuel cell test equipment, automotive fuel cell inventory, office equipment, $2 million in cash and all automotive fuel cell development contracts between Ballard, Daimler and Ford. In exchange, AFCC assumed our automotive fuel cell warranty liabilities to Daimler, Ford and their affiliates, and issued to Ballard a 100% equity interest in AFCC.

Ballard then transferred: (a) to Daimler, a 50.1% equity interest in the outstanding shares of AFCC, an undivided half interest in our intellectual property rights principally used for propulsion systems in cars, vans, trucks and buses ("**Automotive Propulsion Applications**") (such intellectual property rights being referred to as "**Automotive Intellectual Property Rights**"), and $36.2 million, as well as providing Daimler with a licence to use certain of its intellectual property rights; and

(b) to Ford, a 30.0% equity interest in the outstanding shares of AFCC, the remaining undivided half interest in our Automotive Intellectual Property Rights, and $21.8 million, as well as providing Ford with a licence to use certain of its intellectual property rights.

As a result of the foregoing, we hold a 19.9% equity interest in AFCC. In addition, under the AFCC Transaction, we retained the right to continue to develop fuel cell modules for large buses (other than Daimler and Ford branded large buses), as well as shuttle buses in Canada for use by transit authorities.

In exchange, Daimler transferred to us 21,392,598 common shares and 50 Class A shares in the capital of DBF Pref Shareholdings Inc. ("**DBF**", an entity jointly owned by Ballard, Daimler and Ford) (collectively representing Daimler's entire direct and indirect equity interest in Ballard), and Ford transferred to us 12,868,700 common shares and 50 Class C shares in the capital of DBF (collectively representing Ford's entire direct and indirect equity interest in Ballard). We valued the shares being returned by Daimler and Ford to us at $173.9 million. In addition, Daimler and Ford provided initial funding to AFCC of $118 million for engineering, development and testing work.

Employee Transfers

We transferred to AFCC 112 personnel primarily involved in our automotive fuel cell business (the " **Transferred Employees**"), representing approximately 20% of our personnel. In order to make the transfer of the Transferred Employees from Ballard to AFCC as seamless as possible, we continue to honour all equity-based, long-term compensation previously issued to such Employees by us, for so long as the Transferred Employee remains an employee of AFCC. In order to honour such equity-based, long-term compensation, Ballard's share option plans, share distribution plans and restricted share unit plan were amended by resolution of the Board. In the future, however, we will not issue further options or restricted share units (the "**RSUs**") to the Transferred Employees.

Termination of Automotive Alliance

Following the AFCC Transaction, we are no longer directly involved in automotive fuel cell research and development. As a result, we entered into a termination agreement with Daimler and Ford dated January 31, 2008 (the "**Termination Agreement**") under which we terminated the Amended and Restated Fourth Alliance Agreement between Ballard, Daimler, Ford and DBF dated February 15, 2007 (the "**Fourth Alliance Agreement**"). Under the Termination Agreement, the only aspects of the Fourth Alliance Agreement that survived the termination are: (a) Ballard's non-competition obligations in favour of NuCellSys, which continue on substantially the same terms as previously under a new agreement between Ballard, Daimler, Ford and NuCellSys dated January 31, 2008, since Ballard received the

consideration for this non-competition obligation from Daimler and Ford in 2005; and (b) Ballard's right to acquire fuel cell intellectual property rights developed by Daimler or Ford prior to the termination of the Fourth Alliance Agreement, which continues under the shareholders' agreement entered into by Ballard, Daimler, Ford and AFCC dated January 31, 2008.

Amendment of Articles

In connection with the termination of the Fourth Alliance Agreement and the return by Daimler and Ford to Ballard of their entire equity interest in Ballard, Daimler and Ford lost their right to appoint nominees to the Ballard's Board and the right of those nominees to exercise certain special approval rights in respect of certain fundamental matters, such as: (a) our annual business plan; (b) any significant proposed acquisition, disposition or borrowing not set out in our annual business plan; and (c) fundamental corporate changes such as an amalgamation, arrangement or reorganization. In order to terminate such rights, we amended our articles to eliminate the Class A common shares and Class B common shares from our authorized capital. Ballard's shareholders approved this change by special resolution on January 25, 2008.

Arrangements with respect to AFCC

The 19.9% equity interest we retained in AFCC is subject to a purchase agreement with Ford, Daimler and AFCC dated January 31, 2008 (the "**Share Purchase Agreement**") under which Ballard may require Ford to purchase its equity interest in AFCC on or after January 31, 2013 for $65 million (plus interest accruing at LIBOR rates), provided that: (a) at our request, such purchase will occur on an earlier date specified by us in the event of: (i) a change of control of Daimler, Ford or AFCC; (ii) Daimler, Ford or AFCC being subject to insolvency or bankruptcy proceedings; or (iii) AFCC being the subject of a significant reorganization; or (b) at Ford's request, such purchase will occur on an earlier date specified by Ford in the event of: (i) a change of control of Ballard; or (ii) Ballard being subject to insolvency or bankruptcy proceedings.

While we can accelerate Ford's obligation to purchase our interest in AFCC in circumstances in which Ford becomes insolvent or bankrupt, in such circumstances our ability to enforce this obligation would be subject to the limitations on creditor's rights under applicable bankruptcy and insolvency legislation and Ford's remaining resources, the combination of which could result our being unable to make any recovery.

In addition, Ford has the right, subject to the consent of Daimler, to purchase our equity interest in AFCC at any time to prevent another automotive manufacturer from obtaining an ownership interest in AFCC. Under such circumstances, the price paid by Ford to Ballard will be the greater of the base price set out above and a proportionate share of any higher price to be paid by such automotive manufacturer.

On December 21, 2009, we closed an agreement with a financial institution to monetize our rights under the Share Purchase Agreement with Ford relating to our 19.9% equity interest in AFCC. We received initial net proceeds of approximately $34 million on closing with a further contingent payment of $7.5 million due on or before January 31, 2013. The contingent payment was subsequently monetized and extinguished for $5 million in July 2010. As part of the monetization agreement, Ballard pledged its shares in AFCC and assigned its right to "put" or sell those shares to Ford for $65 million plus interest after January 31, 2013. The value of the monetization of the agreement with a financial institution was determined based on a number of variables, including Ford's cost of borrowing, expected LIBOR, time remaining to the Share Purchase Agreement's maturity date and general market and other conditions. All required approvals from Daimler, Ford and AFCC were received prior to the closing of the transaction. Ballard's intellectual property rights, as described below, are unaffected by this transaction.

Pending completion of the purchase of our interest in AFCC under the Share Purchase Agreement, our rights and obligations with respect to AFCC are set out in a shareholders agreement with Daimler, Ford and AFCC dated January 31, 2008 (the "**AFCC Shareholders' Agreement**"). Under the AFCC Shareholders' Agreement, while we remain a shareholder of AFCC: (a) we have no obligation to fund any of AFCC's operating expenses; (b) we are entitled to appoint one director to AFCC's board of directors (provided that we hold more than 7.5% of the issued and outstanding shares in AFCC); (c) we will not compete with Daimler, Ford or AFCC in fuel cells or fuel cell systems for Automotive Propulsion Applications, except for shuttle buses in Canada and large bus applications world-wide (other than Daimler and Ford branded buses); (d) Daimler, Ford and AFCC will not compete with us in fuel cells or fuel cell systems for non-Automotive Propulsion Applications ("**Non-Automotive Applications**"), except for auxiliary power units for use in automobiles and European Aeronautic Defence and Space Company aircraft; (e) we will not solicit the employees of Daimler, Ford or AFCC; and (f) Daimler, Ford and AFCC will not solicit our employees.

For a period of 18 months starting from January 31, 2008, we agreed not hire employees of AFCC and AFCC agreed not hire employees of Ballard.

Treatment of Intellectual Property

In addition to the transfer of our Automotive Intellectual Property Rights to Daimler and Ford, we entered into a number of arrangements relating to intellectual property in connection with the AFCC Transaction:

(a) NuCellSys transferred to us the intellectual property, which is fundamental to both Automotive Propulsion Applications and Non-Automotive Applications (such intellectual property rights being referred to as "**Fundamental Intellectual Property Rights**") and the intellectual

property used in Non-Automotive Applications ("**Non-Automotive Intellectual Property Rights**") that was jointly owned by us. Pursuant to a licence agreement with NuCellSys dated January 31, 2008, (the "**NuCellSys Licence Agreement**") NuCellSys granted to us a non-exclusive, worldwide, royalty-free, sublicensable licence to use all of its existing intellectual property for Non-Automotive Applications.

(b) Under the terms of a "**Master Licence Agreement**" and a "**Fundamental Master Licence Agreement**" each between Ballard, Daimler and Ford and dated January 31, 2008, Ballard granted to each of Daimler and Ford a non-exclusive, world-wide, royalty-free licence to use Ballard's Fundamental Intellectual Property Rights and its Non-Automotive Intellectual Property Rights for Automotive Propulsion Applications and each of Daimler and Ford granted Ballard a non-exclusive, world-wide, royalty-free licence to use their Automotive Intellectual Property Rights for Non-Automotive Applications.

(c) Under the terms of an "**Improvements Licence Agreement**" and a "**Fundamental Improvement Licence Agreement**" each between Ballard, Daimler and Ford and dated January 31, 2008, Ballard granted to each of Daimler and Ford a non-exclusive, world-wide, royalty-free licence to use all of the intellectual property relating to fuel cells developed by Ballard while it is a shareholder of AFCC for use in Automotive Propulsion Applications and each of Daimler and Ford granted Ballard a non-exclusive, world-wide, royalty-free licence to use all of the intellectual property relating to fuel cells developed, directly or indirectly, by either of them while Ballard is a shareholder of AFCC for use in Non-Automotive Applications.

In the event the bankruptcy of an owner or licensor of intellectual property rights, there is some uncertainty as to the survival of licence rights under Canadian bankruptcy law. Therefore, in order to protect the licence rights of Daimler and Ford in respect of the Fundamental Intellectual Property Rights in the limited event of our bankruptcy or insolvency, we transferred substantially all of our Fundamental Intellectual Property Rights, and agreed to transfer all improvements thereto made while we are a shareholder of AFCC, to a new corporate entity, IP Holdings. We then entered into a licence agreement with IP Holdings dated January 31, 2008 (the "**Fundamental Licence Agreement**") evidencing our exclusive right to use such Fundamental Intellectual Property Rights and improvements thereto for Non-Automotive Applications. In addition, we covenanted not to enter into any joint development arrangements with third parties, unless our interest in any improvements to the Fundamental Intellectual Property Rights arising out of such arrangements are either transferred to IP Holdings or, at a minimum, are licensed to IP Holdings (with a right to sublicence to Daimler and Ford). We provided Daimler and Ford each with a

33% voting, non-participating interest in IP Holdings, retained a 34% voting interest and a 100% participating interest in IP Holdings, and entered into an unanimous shareholders' agreement with IP Holdings dated January 31, 2008 (the "**IP Holdings Shareholders' Agreement**") to ensure that IP Holdings will not take any action that would place the licence rights of any of the parties at risk. Under the IP Holdings Shareholders' Agreement, IP Holdings may not take any decision or action without the unanimous approval of its shareholders, other than holding the Fundamental Intellectual Property Rights and any improvements thereto. Ballard has the sole right to protect and enforce the Fundamental Intellectual Property Rights transferred to IP Holdings.

Service Arrangements with AFCC

We entered into a number of arrangements with AFCC in order to enable it to carry on business: (a) we lease or license to AFCC, on a cost-recovery basis, 40,000 square feet of space in our facilities in Burnaby, British Columbia for use by the Transferred Employees; (b) we provide AFCC with key testing and engineering services on a profitable basis; (c) we sell products to AFCC at prices intended to produce a positive margin; and (d) we provide AFCC with certain administrative services on a profitable basis. Our service agreements may be terminated by AFCC with six-months notice.

Detailed Description of the Superior Plus Transaction and Associated Material Contracts

We entered into an arrangement agreement dated October 30, 2008 with Superior Plus (the " **Arrangement Agreement**"), which specified the parties' respective obligations with respect to the Superior Plus Transaction. That transaction was implemented by way of a statutory plan of arrangement under section 192 of the *Canada Business Corporations Act*, whereby Ballard caused its entire business and operations, including all assets and liabilities, to be transferred to a new corporate entity, such that the new corporate entity now has all of the same assets, liabilities, directors, management and employees as Ballard formerly had under its old corporate entity, except for its tax attributes. Under the arrangement, Ballard shareholders exchanged their common shares in the capital of the old corporate entity for common shares in the capital of the new corporate entity on a one-for-one basis, and Superior Plus obtained 100% of the common shares in the capital of Ballard's old corporate entity. Ballard received a cash payment of approximately C$46.3 million (C$41 million net of expenses) in consideration for allowing Superior Plus to use its old corporate entity as the vehicle to complete its conversion from an income trust to a corporation. Following completion of the Superior Plus Transaction, Ballard continued to carry on its business operations as a public entity, and retained all the rights it previously held to related intellectual property.

The Superior Plus Transaction was completed through: (a) the cancellation of all existing DSUs and RSUs without payment for consideration; (b) Superior Plus' loan of C$46,319,148 to Ballard on a demand interest bearing basis; (c) the transfer of all of Ballard's assets to a wholly-owned subsidiary company ("**Subco**") in consideration for Subco issuing to Ballard 100,000,000 common shares in the capital of Subco and the assumption of all of Ballard's liabilities, except for the repayment of the C$46.3 million loan from Superior Plus; (d) the exchange of all common shares in the capital of Ballard's old corporate entity for common shares in the capital of Ballard's new corporate entity; (e) the adoption by Ballard's new corporate entity of Share Incentive Plans substantially similar to the share incentive plans of Ballard's old corporate entity that existed prior to the Superior Plus Transaction; (f) the grant of new DSUs and RSUs by Ballard's new corporate entity to those securityholders whose previous DSUs and RSUs were cancelled in connection with the Superior Plus Transaction; (g) the exchange of options to purchase common shares in the capital of Ballard's old corporate entity for substantially similar options to purchase common shares in the capital of Ballard's new corporate entity; (h) the alteration of the authorized capital of Ballard's old corporate entity to amend the rights attached to its common shares such that the shares are redeemable at the option of Ballard for shares in Subco on a one-for-one basis, and to create a new class of ordinary common shares (the "**New Superior Shares**"); (i) the transfer by Superior Plus of all of its assets, including the right to receive repayment of the C$46.3 million loan, to Ballard's old corporate entity in exchange for the assumption of Superior Plus' liabilities and 88,378,194 New Superior Shares; (j) the redemption of all of Superior Plus' outstanding trust units; (k) the redemption of all of the outstanding shares in the capital of Ballard's old corporate entity, with the redemption price paid to the sole shareholder, Ballard's new corporate entity, by the distribution of common shares in the capital of Subco on a one-for-one basis; (l) the cancellation of any shares in the capital of Ballard's new corporate entity held by dissenting shareholders; (m) the liquidation of Subco and the distribution of all of its assets, including the proceeds of the C$46.3 million loan to, and the assumption of all of its liabilities by Ballard's new corporate entity; (n) the name change of Ballard's old corporate entity from "Ballard Power Systems Inc." to "Superior Plus Corp.", which will carry on business as a successor to Superior Plus; and (o) the name change of Ballard's new corporate entity from "7076991 Canada Inc." to "Ballard Power Systems Inc.", which will carry on business as a successor to Ballard.

The purpose of the Superior Plus Transaction was to obtain non-dilutive financing for Ballard. In addition to the increase in both Ballard's cash reserves and shareholders' equity of approximately C$41 million, the Superior Plus Transaction allowed Ballard to step up the Canadian tax basis in its assets, which may be applied towards sheltering future taxable income.

Stock Exchange Listings

Following the completion of the Superior Plus Transaction, and the satisfaction of certain requirements of the TSX and NASDAQ, Ballard's common shares continue to be listed and trade on the TSX under the symbol "BLD" and on the NASDAQ under the symbol "BLDP".

Security Certificates

Following the completion of the Superior Plus Transaction, the existing certificates representing common shares in the capital of Ballard's old corporate entity, options to purchase common shares in the capital of Ballard's old corporate entity, and DSUs and RSUs issued under the share incentive plans of Ballard's old corporate entity, continue to represent common shares in the capital of Ballard's new corporate entity, options to purchase common shares in the capital of Ballard's new corporate entity, and DSUs and RSUs issued under the Share Incentive Plans of Ballard's new corporate entity, respectively. Therefore, Ballard securityholders do not need to take any action to replace their certificates for Ballard's common shares, options to purchase common shares, DSUs or RSUs.

Indemnification Arrangements

We entered into an indemnification agreement with Superior Plus dated December 31, 2008 (the " **Indemnity Agreement**"), which specifies the parties' respective continuing indemnification obligations to the other. The Indemnity Agreement provides that we are liable to Superior Plus for all Losses (as defined in the Indemnity Agreement) which it may suffer, sustain, pay or incur, and we will indemnify and hold Superior Plus harmless from and against all Losses which may be brought against or suffered by Superior Plus or which Superior Plus may suffer, sustain, pay or incur arising out of, resulting from, attributable to or connected with:

(a) any debts, liabilities, commitments or obligations of any nature (whether matured or unmatured, accrued, fixed, contingent or otherwise) of any kind whatsoever resulting from any matters, actions, events, facts or circumstances related to the activities, affairs or business of Ballard which occurred prior to the Effective Time (as defined in the Indemnity Agreement);

(b) any debts, liabilities, commitments or obligations of any nature (whether matured or unmatured, accrued, fixed, contingent or otherwise) of any kind whatsoever resulting from any matters, actions, events, facts or circumstances related to the activities, affairs or business of Ballard which occur on or after the date of the Indemnity Agreement; and

(c) any breach (including any failure or inaccuracy) of any of the representations and warranties of Ballard under the Arrangement Agreement, or any failure of Ballard to perform or observe any covenant or agreement to be performed by it under the Arrangement Agreement, excluding any Losses which Superior Plus may suffer, sustain, pay or incur, relating to or based upon the existence or availability of Superior Plus' Tax Pools (as defined in the Indemnity Agreement), other than as a result of fraud or wilful misrepresentation.

The Indemnity Agreement also provides that Superior Plus will be liable to the Corporation for all Losses which the Corporation may suffer, sustain, pay or incur and will indemnify and hold the Corporation harmless from and against all Losses which may be brought against or suffered by the Corporation or which the Corporation may suffer, sustain, pay or incur arising out of, resulting from, attributable to or connected with any breach (including any failure or inaccuracy) of any of the representations and warranties of Superior Plus under the Arrangement Agreement, or any failure of Superior Plus to perform or observe any covenant or agreement to be performed by it under the Arrangement Agreement.

The Indemnity Agreement does not contain any limit on the amount of the claims that can be indemnified nor is there any threshold before indemnification is provided. In addition, the Indemnity Agreement specifically extends the limitation period within which a party is entitled to make a claim under the Indemnity Agreement to two years after the notice of claim with respect to such obligation was given. However, with the exception of certain limited adjustments to address differences in the amount of specific Tax Pools of Ballard, which is described below, the indemnification provisions of the Indemnity Agreement do not provide indemnification to Superior Plus in respect of the amount or the availability of the Tax Pools.

The Indemnity Agreement also provides for certain compensation payments to be made by Ballard and Superior Plus depending on the final determination of the amount of certain Tax Losses (as defined in the Indemnity Agreement) of Ballard to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement Agreement was executed or to the extent that such Tax Pools are used to reduce Ballard's income, taxable income, or income taxes for any period ending at any time at or before the completion of the Arrangement. Ballard's obligations under the Indemnity Agreement relating to NCL Obligations (as defined in the Indemnity Agreement) are limited to an aggregate of C$7,350,000 with a threshold amount of C$500,000 before there is an obligation to make a compensation payment.

The Indemnity Agreement provides detailed procedures for claims under the Indemnity Agreement, which, provided Ballard acknowledges liability under the Indemnity Agreement with respect to such matter, gives Ballard the right to elect to take carriage and control of the dispute process relating to such claims.

RISK FACTORS

An investment in our common shares involves risk. Investors should carefully consider the risks described below and the other information contained in, and incorporated into, this Annual Information Form, including "Management's Discussion and Analysis" and our financial statements for the year ended December 31, 2010. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business.

We may not be able to achieve commercialization of our products on the timetable we anticipate, or at all.

We cannot guarantee that we will be able to develop commercially viable fuel cell products on the timetable we anticipate, or at all. The commercialization of our fuel cell products requires substantial technological advances to improve the durability, reliability and performance of these products, and to develop commercial volume manufacturing processes for these products. It also depends upon our ability to significantly reduce the costs of these products, since they are currently more expensive than products based on existing technologies, such as ICEs and batteries. We may not be able to sufficiently reduce the cost of these products without reducing their performance, reliability and durability, which would adversely affect the willingness of consumers to buy our products. We cannot guarantee that we will be able to internally develop the technology necessary for commercialization of our fuel cell products or that we will be able to acquire or license the required technology from third parties.

In addition, before we release any product to market, we subject it to numerous field tests. These field tests may encounter problems and delays for a number of reasons, many of which are beyond our control. If these field tests reveal technical defects or reveal that our products do not meet performance goals, our commercialization schedule could be delayed, and potential purchasers may decline to purchase our products.

We expect our cash reserves will be reduced due to future operating losses, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary.

We expect to incur continued losses and generate negative cash flow until we can produce sufficient revenues to cover our costs. We may never become profitable. Even if we do achieve profitability, we may be unable to sustain or increase our profitability in the future. For the reasons discussed in more detail below, there are substantial uncertainties associated with our achieving and sustaining profitability. We expect our cash reserves will be reduced due to future operating losses, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital if and when necessary.

We may not be able to successfully execute our business plan.

The execution of our business plan poses many challenges and is based on a number of assumptions. We may not be able to successfully execute our business plan. If we experience significant cost overruns on our programs, or if our business plan is more costly than we anticipate, certain research and development activities may be delayed or eliminated, resulting in changes or delays to our commercialization plans, or we may be compelled to secure additional funding (which may or may not be available) to execute our business plan. We cannot predict with certainty our future revenues or results from our operations. If the assumptions on which our revenue or expenditure forecasts are based change, the benefits of our business plan may change as well. In addition, we may consider expanding our business beyond what is currently contemplated in our business plan. Depending on the financing requirements of a potential acquisition or new product opportunity, we may be required to raise additional capital through the issuance of equity or debt. If we are unable to raise additional capital on acceptable terms, we may be unable to pursue a potential acquisition or new product opportunity.

Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan.

We expect our revenues and operating results to vary significantly from quarter to quarter. As a result, quarter-to-quarter comparisons of our revenues and operating results may not be meaningful. Due to the stage of development of our business, it is difficult to predict our future revenues or results of operations accurately. We are also subject to normal operating risks such as credit risks, foreign currency risks and fluctuations in commodity prices. As a result, it is possible that in one or more future quarters, our operating results may fall below the expectations of investors and securities analysts. Not meeting investor and security analyst expectations may materially and adversely impact the trading price of our common shares, and restrict our ability to secure required funding to pursue our commercialization plans.

We could be adversely affected by risks associated with acquisitions.

In addition to the risks applicable below as a result of our acquisition of Dantherm Power in the first quarter of 2010, we may in future, seek to expand our business through acquisitions. Any such acquisitions will be in part dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Acquisitions involve a number of risks, including: (i) the possibility that we, as successor owner, may be legally and financially responsible for

liabilities of prior owners; (ii) the possibility that we may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and personnel of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retrain and motivate key personnel of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

We are subject to risks inherent in international operations.

Our success depends in part on our ability to secure international customers. We have limited experience developing and manufacturing products that meet foreign regulatory and commercial requirements in our target markets. We face numerous challenges in our international business activities, including war, insurrection, civil unrest, strikes and other political risks, negotiation of contracts with government entities, unexpected changes in regulatory and other legal requirements, fluctuations in currency restrictions and exchange rates, longer accounts receivable requirements and collections, difficulties in managing international operations, potentially adverse tax consequences, restrictions on repatriation of earnings and the burdens of complying with a wide variety of international laws. Any of these factors could have a material adverse effect on our business, results of operations and financial performance.

Exchange rate fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability.

Our revenues are particularly affected by fluctuations in the exchange rate between the Canadian dollar and the United States dollar. We generate approximately 90% of our revenues in United States dollars while approximately 60% of our operating expenses, cost of revenues and capital expenditures are in Canadian dollars. As a result, any decrease in the value of the United States dollar relative to the Canadian dollar reduces the amount of Canadian dollar revenues we realize on sales, without a corresponding decrease in expenses. Exchange rate fluctuations are beyond our control, and the United States dollar may depreciate against the Canadian dollar in the future, which would result in lower revenues and margins. In order to reduce the potential negative effect of a weakening United States dollar, we have entered into various hedging programs. However, if the Canadian dollar increases in value, it will negatively affect our financial results and our competitive position compared to other fuel cell product manufacturers in jurisdictions where operating costs are lower.

Commodity price fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability.

Commodity prices, in particular the price of platinum, affect our costs. Platinum is a key component of our fuel cell products. Platinum is a scarce natural resource and we are dependent upon a sufficient supply of this commodity. While we do not anticipate significant near or long-term shortages in the supply of platinum, such shortages could adversely affect our ability to produce commercially viable fuel cell products or significantly raise our cost of producing such products. In order to reduce the impact of platinum price fluctuations, we have entered into various hedging programs.

A mass market for our products may never develop or may take longer to develop than we anticipate.

Our fuel cell products represent emerging markets, and we do not know whether end-users will want to use them in commercial volumes. In such emerging markets, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. The development of a mass market for our fuel cell products may be affected by many factors, some of which are beyond our control, including the emergence of newer, more competitive technologies and products, the cost of fuels used by our products, regulatory requirements, consumer perceptions of the safety of our products and related fuels, and end-user reluctance to buy a new product.

If a mass market fails to develop, or develops more slowly than we anticipate, we may never achieve profitability. In addition, we cannot guarantee that we will continue to develop, manufacture or market our products if sales levels do not support the continuation of the product.

We have limited experience manufacturing fuel cell products on a commercial basis.

To date, we have limited experience manufacturing fuel cell products on a commercial basis. We cannot be sure that we will be able to develop efficient, low-cost, high-volume automated processes that will enable us to meet our cost goals and profitability projections. While we currently have sufficient production capacity to fulfill customer orders in the near-term, we expect that we will increase our production capacity based on market demand. We cannot be sure that we will be able to achieve any planned increases in production capacity or that unforeseen problems relating to our manufacturing processes will not occur. Even if we are successful in developing high-volume automated processes and achieving planned increases in production capacity, we cannot be sure that we will do so in time to meet our product commercialization schedule or to satisfy customer demand. If our business does not

grow as quickly as anticipated, our existing and planned manufacturing facilities would, in part, represent excess capacity for which we may not recover the cost, in which case our revenues may be inadequate to support our committed costs and planned growth, and our gross margins and business strategy would be adversely affected. Any of these factors could have a material adverse effect on our business, results of operations and financial performance.

We are dependent on third party suppliers for the supply of key materials and components for our products.

We have established relationships with third party suppliers, on whom we rely to provide materials and components for our products. A supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meet our quality, quantity or cost requirements, or our inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to us, could harm our ability to manufacture our products. In addition, to the extent that our product development plans rely on development of supplied materials or components, we cannot guarantee that we will be able to leverage our relationships with suppliers to support these plans. To the extent that the processes that our suppliers use to manufacture the materials and components are proprietary, we may be unable to obtain comparable materials or components from alternative suppliers, which could adversely affect our ability to produce viable fuel cell products or significantly raise our cost of producing such products.

We are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products.

To be commercially useful, our fuel cell products must be integrated into products manufactured by Systems Integrators and OEMs. We can offer no guarantee that Systems Integrators or OEMs will manufacture appropriate products or, if they do manufacture such products, that they will choose to use our fuel cell products. Any integration, design, manufacturing or marketing problems encountered by Systems Integrators or OEMs could adversely affect the market for our fuel cell products and our financial results.

Global economic conditions are beyond our control and may have an adverse impact on our business or our key suppliers and/or customers.

Current global economic conditions may adversely affect the development of sales of our products, and thereby delay the commercialization of our products. Customers and/or suppliers may not be able to successfully execute their business plans; product development activities may be delayed or eliminated; new product introduction may be delayed or eliminated; end-user demand may decrease; and some companies may not continue to be commercially viable.

Public policy and regulatory changes could hurt the market for our products.

Changes in existing government regulations and the emergence of new regulations with respect to fuel cell products may hurt the market for our products. Environmental laws and regulations in the United States and other countries have driven interest in fuel cells. We cannot guarantee that these laws and policies will not change. Changes in these laws and other laws and policies, or the failure of these laws and policies to become more widespread, could result in manufacturers abandoning their interest in fuel cell products or favouring alternative technologies. In addition, as fuel cell products are introduced into our target markets, the United States government and other governments may impose burdensome requirements and restrictions on the use of fuel cell products that could reduce or eliminate demand for some or all of our products.

We depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our future growth and success.

Failure to protect our existing intellectual property rights may result in the loss of our exclusivity or the right to use our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation, or be enjoined from using such intellectual property. We rely on patent, trade secret, trademark and copyright laws to protect our intellectual property. However, some of our intellectual property is not covered by any patent or patent application, and the patents to which we currently have rights expire between 2011 and 2027. Our present or future-issued patents may not protect our technological leadership, and our patent portfolio may not continue to grow at the same rate as it has in the past. Moreover, our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, there is no assurance that: (a) any of the patents owned by us or other patents that third parties license to us will not be invalidated, circumvented, challenged, rendered unenforceable or licensed to others; or (b) any of our pending or future patent applications will be issued with the breadth of claim coverage sought by us, if issued at all. In addition, effective patent, trade secret, trademark and copyright protection may be unavailable, limited or not applied for in certain countries.

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our strategic partners and employees. We can provide no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

Certain of our intellectual property have been licensed to us on a non-exclusive basis from third parties who may also license such intellectual property to others, including our competitors. If necessary or desirable, we may seek further licences under the patents or other intellectual property rights of others. However, we may not be able to obtain such licences or the terms of any offered licences may not be acceptable to us. The failure to obtain a licence from a third party for intellectual property we use could cause us to incur substantial liabilities and to suspend the manufacture or shipment of products or our use of processes requiring the use of such intellectual property.

We may become subject to lawsuits in which it is alleged that we have infringed the intellectual property rights of others or commence lawsuits against others who we believe are infringing upon our rights. Our involvement in intellectual property litigation could result in significant expense to us, adversely affecting the development of sales of the challenged product or intellectual property and diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favour.

We currently face and will continue to face significant competition.

As fuel cell products have the potential to replace existing power products, competition for our products will come from current power technologies, from improvements to current power technologies, and from new alternative energy technologies, including other types of fuel cells. Each of our target markets is currently serviced by existing manufacturers with existing customers and suppliers. These manufacturers use proven and widely accepted technologies such as ICEs and batteries as well as coal, oil and nuclear powered generators.

Additionally, there are competitors working on developing technologies other than PEM fuel cells (such as other types of fuel cells and advanced batteries) in each of our targeted markets. Some of these technologies are as capable of fulfilling existing and proposed regulatory requirements as the PEM fuel cell.

Within the PEM fuel cell market, we also have a large number of competitors. Across the world, corporations, national laboratories and universities are actively engaged in the development and manufacture of PEM fuel cell products and components. Each of these competitors has the potential to capture market share in each of our target markets.

Many of our competitors have substantial financial resources, customer bases, manufacturing, marketing and sales capabilities, and businesses or other resources, which give them significant competitive advantages over us.

We could lose or fail to attract the personnel necessary to run our business.

Our success depends in large part on our ability to attract and retain key management, engineering, scientific, marketing, manufacturing and operating personnel. As we develop additional manufacturing capabilities and expand the scope of our operations, we will require more skilled personnel. Recruiting personnel for the fuel cell industry is highly competitive. We may not be able to continue to attract and retain qualified executive, managerial and technical personnel needed for our business. Our failure to attract or retain qualified personnel could have a material adverse effect on our business.

We could be liable for environmental damages resulting from our research, development or manufacturing operations.

Our business exposes us to the risk of harmful substances escaping into the environment, resulting in personal injury or loss of life, damage to or destruction of property, and natural resource damage. Depending on the nature of the claim, our current insurance policies may not adequately reimburse us for costs incurred in settling environmental damage claims, and in some instances, we may not be reimbursed at all. Our business is subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past and it is reasonable to expect additional and more stringent changes in the future. Our operations may not comply with future laws and regulations, and we may be required to make significant unanticipated capital and operating expenditures. If we fail to comply with applicable environmental laws and regulations, governmental authorities may seek to impose fines and penalties on us, or to revoke or deny the issuance or renewal of operating permits, and private parties may seek damages from us. Under those circumstances, we might be required to curtail or cease operations, conduct site remediation or other corrective action, or pay substantial damage claims.

Our products use flammable fuels, which could subject our business to product liability claims.

Our business exposes us to potential product liability claims that are inherent in hydrogen and products that use hydrogen. Hydrogen is a flammable gas and therefore a potentially dangerous product. Any accidents involving our products or other hydrogen-based products could materially impede widespread market acceptance and demand for our fuel cell products. Involvement in litigation could result in significant expense to us, adversely affecting the development and sales of our products, and diverting the efforts of our technical and management personnel, whether or not the litigation is resolved in our favour. In addition, we may be held responsible for damages beyond the scope of our insurance coverage. We also cannot predict whether we will be able to maintain our insurance coverage on acceptable terms.

ADDITIONAL INFORMATION

Additional information regarding Ballard may be found on SEDAR at www.sedar.com. In particular, additional information regarding directors and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under security compensation plans is contained in our information circular for our most recent annual meeting of securityholders that involved the election of directors. Additional financial information is provided in our financial statements and Management's Discussion and Analysis for the most recently completed financial year.

Copies of this Annual Information Form and the documents incorporated by reference herein, our comparative financial statements (including the auditors' report) for the year ended December 31, 2010, each interim financial statement issued after December 31, 2010, our management proxy circular and our Annual Report may be obtained upon request from our Corporate Secretary, 9000 Glenlyon Parkway, Burnaby, British Columbia, V5J 5J8, or on our website at www.ballard.com.

APPENDIX "A" BOARD OF DIRECTORS MANDATE

Purpose

The board of directors (the "Board") is responsible for the overall corporate governance of the Corporation. It oversees and directs the management of the Corporation's business and affairs. In doing so, it must act honestly, in good faith, and in the best interests of the Corporation. The Board guides the Corporation's strategic direction, evaluates the performance of the Corporation's executive officers, monitors the Corporation's financial results, and is ultimately accountable to the Corporation's shareholders, employees, customers, suppliers, and regulators. Board members are kept informed of the Corporation's operations at meetings of the Board and its committees, and through reports and analyses by, and discussions with, management. The Board manages the delegation of decision-making authority to management through Board resolutions under which management is given authority to transact business, but only within specific limits and restrictions. In this Mandate, the "Corporation" means Ballard Power Systems Inc. and a "director" means a Board member.

COMPOSITION

A) As stated in the Articles of the Corporation, the Board will be composed of no fewer than five and no more than fifteen directors.

B) The Board will have a majority of independent directors.

C) The Board will appoint its own Chair.

MEETINGS

D) Meetings of the Board will be held as required, but at least four times a year.

E) The Board will appoint its own Secretary, who need not be a director. The Secretary, in conjunction with the Chair of the Board, will draw up an agenda, which will be circulated in advance to the members of the Board along with the materials for the meeting. The Secretary will be responsible for taking and keeping the Board's meeting minutes.

F) As set out in the By-laws of the Corporation, meetings will be chaired by the Chair of the Board, or if the Chair is absent, by a member chosen by the Board from among themselves.

G) If all directors consent, and proper notice has been given or waived, a director or directors may participate in a meeting of the Board by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a director participating in such a meeting by any such means is deemed to be present at that meeting.

H) The Board will conduct an in-camera session excluding management at the end of each Board meeting.

I) A majority of directors constitute a quorum.

J) All decisions made by the Board may be made at a Board meeting or evidenced in writing and signed by all Board members, which will be fully effective as if it had been made or passed at a Board meeting.

DUTIES AND RESPONSIBILITIES

K) **Selection of Management**

The Board is responsible for appointing the Chief Executive Officer ("CEO"), for monitoring and evaluating the CEO's performance, and approving the CEO's compensation. Upon recommendation of the CEO and the Management Development, Nominating & Compensation Committee, the Board is also responsible for appointing all officers. The Board also ensures that adequate plans are in place for management development and succession and conducts an annual review of such plans.

L) **Corporate Strategy**

The Board is responsible for reviewing and approving the Corporation's corporate mission statement and corporate strategy on a yearly basis, as well as determining the goals and objectives to achieve and implement the corporate strategy, while taking into account, among other things, the opportunities and risks of the business. Each year, the Board meets for a strategic planning session to set the plans for the upcoming year. In addition to the general management of the business, the Board expects management to achieve the corporate goals set by the Board, and the Board monitors throughout the year the progress made against these goals.

In addition, the Board approves key transactions, which have strategic impact to the Corporation, such as acquisitions, key collaborations, key supply arrangements, and strategic alliances. Through the delegation of signing authorities, the Board is responsible for setting out the types of transactions that require approval of the Board before completion.

M) **Fiscal Management and Reporting**

The Board monitors the financial performance of the Corporation and must ensure that the financial results are reported: (a) to shareholders and regulators on a timely and regular basis; and (b) fairly and in accordance with generally accepted accounting principles. The Board must also ensure that all material developments of the Corporation are disclosed to the public on a timely basis in accordance with applicable securities regulations. In the spring of each year, the Board reviews and approves the Annual Report, which is sent to shareholders of the Corporation and describes the achievements and performance of the Corporation for the preceding year.

N) **Legal Compliance**

The Board is responsible for overseeing compliance with all relevant policies and procedures by which the Corporation operates and ensuring that the Corporation operates at all times in compliance with all applicable laws and regulations, and to the highest ethical and moral standards.

O) **Statutory Requirements**

The Board is responsible for approving all matters, which require Board approval as prescribed by applicable statutes and regulations, such as payment of dividends and issuances of shares. Management ensures that such matters are brought to the attention of the Board as they arise.

P) **Formal Board Evaluation**

The Board, through a process led by the Corporate Governance Committee, conducts an annual evaluation and review of the performance of the Board, Board committees, and the Chair of the Board. The Corporate Governance Committee reviews the results of such evaluation and together with the Chair of the Board, discusses potential ways to improve Board effectiveness. The Corporate Governance Committee discusses the results of the evaluation and the recommended improvements with the full Board. The Board also sets annual effectiveness goals and tracks performance against those goals. In addition, each individual director's performance is evaluated and reviewed regularly.

Q) **Risk Management**

The Board is responsible for identifying the Corporation's principal risks and ensuring the implementation of appropriate systems to manage these risks. The Board is also responsible for the integrity of the Corporation's internal controls and management information systems.

R) **External Communications**

The Board is responsible for overseeing the establishment, maintenance and annual review of the Corporation's external communications policies which address how the Corporation interacts with analysts and the public and which also contain measures for the Corporation to avoid selective disclosure. The Board is responsible for establishing a process for receiving shareholder feedback. This is achieved through a semi-annual presentation of an investor relations report, which contains a summary of the feedback and common enquiries received from shareholders, as well as a Board e-mail address, which has been set up for the public to submit messages to the Board.

APPENDIX "B" DIRECTOR TERMS OF REFERENCE

MANDATE

In carrying out his or her responsibilities as a member of the board of directors, each director owes a fiduciary duty to Ballard and must ensure that he or she:

A) acts honestly and in good faith with a view to the best interests of Ballard; and

B) exercises the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

DUTIES AND RESPONSIBILITIES

In carrying out his or her mandate as a director, each director must:

A) maintain confidentiality of all information which is learned in his or her capacity as a director;

B) exercise good judgment and act with integrity;

C) avoid conflicts of interest;

D) disclose contracts or arrangements in which the director has an interest;

E) be an available resource to management and the rest of the board;

F) ensure that Ballard operates according to best practices;

G) support and encourage legal, ethical and credible business practices;

H) act and function independently of management; and

I) be available for communications with the Chairman and/or CEO between meetings.

To promote the effectiveness of Board and committee meetings, each director must:

A) prepare for such meetings by reviewing the materials sent out in advance of the meeting;

B) attend each meeting, whenever possible;

C) be in attendance for the full duration of the meeting, whenever possible;

D) have acquired adequate information necessary for decision making;

E) participate fully and frankly in deliberations and discussions during the meeting;

F) encourage free and open discussion of the affairs of Ballard by the board members; and

G) question senior management appropriately regarding strategy, operations and results.

In order to be able to make well-informed decisions, each director must:

A) remain knowledgeable about Ballard's products and industry;

B) develop a thorough understanding of Ballard's role in the industry and the community;

C) maintain an understanding of the regulatory, business, social and political environments in which Ballard operates;

D) maintain an understanding of current professional development matters affecting public company boards and the role of corporate directors generally; and

E) remain knowledgeable about Ballard's facilities and visit them when appropriate.

APPENDIX "C" AUDIT COMMITTEE MANDATE

Purpose

The purpose of the Audit Committee (the "Committee") is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the shareholders and the public, the systems of corporate controls which management and the board of directors have established, and overseeing the audit process. The Committee also is mandated to review and approve all related party transactions, as further described below under "Duties and Responsibilities", other than those related party transactions in respect of which the board has delegated review to a special committee of independent directors.

In this Mandate, the "Corporation" means Ballard Power Systems Inc. and a "director" means a board member.

More specifically the purpose of the Committee is to satisfy itself that:

A) the Corporation's annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend approval of the annual financial statements to the board;

B) the financial information contained in the Corporation's quarterly financial statements, Annual Report to Shareholders and other financial publications such as Management's Discussion and Analysis, the Annual Information Form, Management Proxy Circular and information contained in any prospectus is complete and accurate in all material respects and to recommend to the board approval of these materials other than the quarterly financial statements for which approval authority has been delegated to the Committee hereunder;

C) the Corporation has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements and to manage financial and asset related risks;

D) the external audit function has been effectively carried out and that any matter which the external auditors wish to bring to the attention of the Committee or board of directors has been addressed. The Committee is also responsible for recommending the appointment (for approval by the shareholders at the Corporation's annual meeting of shareholders) of, and overseeing the external auditors, monitoring the external auditors' qualifications and independence, pre-approving all substantive audit services and non-audit services performed by the external auditors, and determining the appropriate level of remuneration for the external auditors. The external auditors will report directly to the Audit Committee;

E) management has established and is maintaining processes to assure compliance by the Corporation with all applicable laws, regulations and corporate policies;

F) the internal audit function is being effectively carried out, that the Committee is meeting with the internal auditor (or persons responsible for the function) as necessary, and that any matter which the internal auditor wishes to bring to the attention of the Committee or board of directors has been addressed;

G) the related party transactions being reviewed by the Committee are in the best interests of the Corporation; and

H) it has engaged any necessary independent counsel or other advisors in fulfilling its duties and responsibilities, as set forth in this Mandate.

Composition and Eligibility

A) Following each annual meeting of shareholders of the Corporation, the board will appoint from its members not less than three directors to serve on the Committee. Each member of the Committee must meet the independence and expertise requirements for audit committees imposed by any listing standards of NASDAQ or requirements of the Canadian securities regulatory authorities under National Instrument 52-110, any applicable statutes, or applicable rules or regulations of the U.S. Securities Exchange Commission.

B) Any member may be removed or replaced at any time by the board and will cease to be a member upon ceasing to be a director of the Corporation. Each member will hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced whichever occurs first.

C) The Committee will appoint the Committee Chair.

D) All members of the Committee must have working familiarity with basic finance and accounting practices, and be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement at the time of their appointment.

E) At least one member of the Committee must be an audit committee "financial expert" as defined by the applicable rules set out by the U.S. Securities and Exchange Commission (the "SEC") or any other regulatory authority. The financial expert must have all of the following five attributes:

(i) an understanding of Generally Accepted Accounting Principles ("GAAP") or the generally accepted accounting principles used by the issuer in preparing its primary financial statements filed with the SEC;

(ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more person engaged in such activities;

(iv) an understanding of internal controls and procedures for financial reporting; and

(v) an understanding of audit committee functions.

The financial expert must have acquired the requisite attributes through any one or more of the following methods:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(iv) other relevant experience, based on the determination by the board of directors as to the specific experience, which satisfies this requirement.

F) Any member of the Committee who serves on more than three public company audit committees must inform the Chair of the Board, so that the board may consider and discuss with such member any issues related to his or her effectiveness and time commitment.

Meetings

A) The Committee will meet at least quarterly. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as the Corporation's other financial disclosures and related party transactions. The Chair, CEO, CFO, Controller, internal and external auditors or any member of the Committee may request additional meetings.

B) The Committee will appoint its own Secretary, who need not be a director. The Secretary in conjunction with the Chair of the Committee will draw up an agenda, which will be circulated, in advance to the members of the Committee with the materials for the meeting. The Secretary will be responsible for taking and keeping the Committee's meeting minutes.

C) Meetings will be chaired by the Chair of the Committee, or if the Chair is absent, by a member chosen by the Committee from among themselves.

D) If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

E) All directors who are not Committee members will be given notice of every meeting of the Committee and will be allowed to attend as observers, unless deemed inappropriate by the Committee in cases where a potential conflict of interest may exist, such as discussions concerning related party transactions.

F) The CEO, CFO, Controller and internal auditor shall have direct access to the Committee and shall receive notice of and attend all meetings of the Committee, except the in-camera sessions.

G) The external auditors will be given notice of, and have the right to appear before and to be heard at, every meeting of the Committee and will appear before the Committee when requested to do so by the Committee.

H) The Committee is authorized to request the presence, at any meeting, of senior management, legal counsel or anyone else who could contribute substantively to the subject of the meeting.

I) The Committee members will receive minutes of all meetings of the Corporation's internal Disclosure Committee.

J) A majority of Committee members constitute a quorum.

K) All decisions made by the Committee may be made at a Committee meeting or evidenced in writing and signed by all Committee members, which will be fully effective as if it had been made or passed at a Committee meeting.

L) The minutes of all meetings of the Committee will be provided to the board of directors. The Chair of the Committee will provide an oral report on the Committee's activities to the board of directors at the next regularly scheduled meeting of the board following each Committee meeting.

M) Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.

N) The Committee may form and delegate authority to subcommittees. In particular, the Committee may delegate to one or more of its members the authority to pre-approve audit or permissible non-audit services, provided that the decisions of any member(s) to whom pre-approval authority is delegated will be presented to the Committee at the next Committee meeting.

Duties and Responsibilities

A) Investigations

The Committee is empowered to investigate any activity of the Corporation and all employees are to co-operate as requested by the Committee. The Committee may retain outside advisors having special expertise to assist it in fulfilling its responsibilities, and determine the appropriate level of remuneration for such outside advisors.

B) Financial Reporting Control Systems

The Committee will:

(i) review with management any significant changes in financial risks facing the Corporation;

(ii) review with management procedures followed with respect to disclosure controls and procedures;

(iii) review the management letter from the external auditors and the Corporation's responses to suggestions made;

(iv) annually review specific matters affecting financial reporting, including but not limited to, the Corporation's insurance coverage, the status of the

Corporation's tax loss carry-forwards, pension and health care liabilities, and off balance sheet transactions;

(v) review the appointment of the financial senior executives of the Corporation, prior to recommendation by the Management Development, Nominating & Compensation Committee ("MDNCC") to the board;

(vi) establish and maintain a set of procedures for the receipt, retention and treatment of complaints received by the Corporation concerning accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

(vii) discuss and consider policies with respect to risk assessment and risk management, including:

a) review and periodic approval of management's risk philosophy and risk management policies;

b) review with management, at least annually, of reports demonstrating compliance with risk management policies; and

c) discussing with management, at least annually, the Corporation's major financial risk exposures and the steps management has taken to monitor and control such expenses including the Corporation's risk assessment and risk management policies.

(viii) meet separately and periodically, no less than annually, with management, with internal auditors (or the persons responsible for the internal audit function) and with external auditors.

C) Interim Financial Statements

The Committee will, prior to their release, review and approve the interim (quarterly) financial statements and Management's Discussion and Analysis with the Corporation's officers and external auditors. This will include significant transactions, which have occurred in the quarter.

D) Annual Financial Statements and Other Financial Information

The Committee will:

(i) review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;

(ii) obtain summaries of significant transactions, and other complex matters whose treatment in the annual financial statements merits advance consideration;

(iii) obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by the Corporation's officers;

(iv) review a summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments;

(v) review and approve the annual financial statements, Management's Discussion and Analysis and the auditors' report thereon, and discuss them in detail with the Corporation's officers and the external auditors;

(vi) review and recommend to the board of directors approval of all financial disclosure contained in prospectuses, annual information forms, management proxy circulars and other similar documents;

(vii) before the release of each quarterly report and the annual financial statements, discuss with the external auditors all matters required by SAS 61 (including the auditors' responsibility under GAAP, the selection of and changes in significant accounting policies or their application, management judgments and accounting estimates, significant audit adjustments, the external auditors' responsibility for information other than financial statements, disagreements with management, consultation with other accountants, and difficulties encountered in performing the audit) and CICA Handbook section 5751 (which governs the communications between the external auditors and the Committee);

(viii) provide the board of directors with a recommendation for approval of the annual financial statements; and

(ix) discuss earnings press releases and earnings guidance, as well as the release of significant new financial information.

E) Relationship with External Auditors

The Committee will:

(i) recommend the appointment of the external auditors (for approval by the shareholders at the Corporation's annual meeting of shareholders); if there is a plan to change auditors, review all issues related to the change

and the steps planned for an orderly transition. The external auditors will report directly to the Committee. The Committee will not recommend the appointment of an external auditor who has previously employed the Corporation's CEO, CFO, Controller or chief accounting officer and where such person participated in any capacity in the audit of the Corporation within the past year;

(ii) annually review and approve the terms of engagement and determine the remuneration of the external auditors;

(iii) review the quarterly and annual representation letters given by management to the external auditors;

(iv) monitor the external auditors' qualifications and independence through the activities listed in section (G) below, "Independence of External Auditors";

(v) review the audit plan with the external auditors and approve all substantive audit services in advance;

(vi) approve in advance any services to be provided by the external auditors which are not related to the audit, including the fees and terms of engagement relating to such non-audit services for the Corporation and its subsidiaries. Specifically, the Committee must not allow the external auditors to provide the following services:

a) bookkeeping services;

b) financial information systems design and implementation;

c) appraisal or valuation services, fairness opinions or contribution-in-kind reports;

d) actuarial services;

e) internal audit services which relate to the Corporation's internal accounting controls, financial systems or financial statements;

f) investment banking, broker, dealer or investment advisor services;

g) management and human resources services;

h) legal services and expert services unrelated to the audit (however the external auditors may provide tax services); and

i) any other services that the Public Company Accounting Oversight Board or the Canadian Public Accountability Board determines by regulation, or the Corporation's board of directors determines, to be impermissible.

(vii) review quarterly all fees paid to external auditors;

(viii) review performance against audit proposal plan;

(ix) discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters;

(x) receive from the external auditors a report with respect to:

a) all critical accounting policies and practices;

b) all alternative treatments of financial information within GAAP that have been discussed with management, implications of their use and the external auditors' "preferred treatment";

c) any other material written communications between the external auditors and management;

d) the internal quality-control procedures of the external auditors;

e) any material issues raised by the most recent internal quality-control review of the external auditors' firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors' firm, and any steps taken to deal with any such issues; and

f) all relationships between the external auditors and the Corporation as detailed in §(i) under Section (G) below "Independence of External Auditors";

(xi) resolve all disagreements between management and the external auditors regarding financial reporting; and

(xii) ensure that the audit partners representing the external auditors meet the rotation requirements set out by the U.S. Securities and Exchange Commission and by any other applicable Canadian or U.S. securities regulatory authority or stock exchange.

F) Treasury

The Committee will:

(i) review and approve the Treasury Policy;

(ii) review the quarterly Treasury Report;

(iii) review and approve the Foreign Exchange Policy; and

(iv) review and approve any commodities hedging policy.

G) Independence of External Auditors

The Committee will oversee the independence of the Corporation's external auditors by:

(i) receiving from the external auditors, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation consistent with ISBS No. 1 and CICA Handbook Section 5751;

(ii) reviewing and actively discussing with the board of directors, if necessary, and the external auditors, on a periodic basis, any relationships or services between the external auditors and the Corporation or any other relationships or services that may impact the objectivity and independence of the external auditors;

(iii) recommending, if necessary, that the board of directors take action to satisfy itself, of the external auditors' independence; and

(iv) ensuring that the Corporation does not hire as the Corporation's CEO, CFO, Controller or chief accounting officer any person who was employed by the Corporation's external auditors and who participated in any capacity in the audit of the Corporation during the one-year period preceding the initiation of the current audit.

H) Internal Audit and Controls

(i) The Committee will ensure that the Corporation has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements and to manage financial and asset related risks.

(ii) The Committee will review quarterly the internal auditors' report on the adequacy of the Corporation's internal controls, policies and procedures.

(iii) The Committee will annually review and approve the internal audit plan.

(iv) The Committee will regularly review progress against the approved internal audit plan, and adjust the plan to deal with emerging issues as required.

I) Related Party Transactions

The Committee will review and approve all related party transactions, other than those related party transactions in respect of which the board has delegated review to a special committee or independent directors or those related party transactions which are previously approved under the mandate of the MDNCC, including, but not limited to, executive employment agreements and compensation matters. A related party transaction is defined as a transaction in which the Corporation or any of its subsidiaries is to be a party, which involves an amount exceeding U.S. $60,000 and in which any of the following persons have a direct or indirect material interest:

(i) a director or executive officer of the Corporation;

(ii) any nominee for election as a director of the Corporation;

(iii) any security holder of the Corporation known by the Corporation to own (of record or beneficially) more than 5% of any class of the Corporation's voting securities; and

(iv) any member of the immediate family of any of the foregoing persons.

In carrying out its responsibilities in reviewing and approving related party transactions, the Committee will:

(v) receive details of all related party transactions proposed by the Corporation, other than those related party transactions which the board has delegated review of to a special committee of independent directors;

(vi) discuss such related party transactions with the representatives of the relevant parties (the "Representatives") and with the Corporation's executive officers;

(vii) review the terms and conditions of each related party transaction;

(viii) with respect to the holders of common shares, consider the effect of the related party transaction on, and the fairness of the related party transaction to, such shareholders;

(ix) recommend any revisions to the structure of the related party transaction that the Committee considers to be necessary or advisable;

(x) if a valuation or fairness opinion is required by any applicable statutes or regulations, supervise the preparation of such valuation or fairness opinion;

(xi) if approval of the board of directors is necessary, provide a recommendation to the board of directors with respect to the related party transaction; and

(xii) review a summary of completed related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the committee.

As part of its review of all related party transactions, the Committee will review all modifications to existing loans and advances to the Corporation's executive officers or directors.

J) Other

The Committee will:

(i) perform an annual review of management's compliance with the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy;

(ii) perform an annual review of the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy, with any recommended changes being forwarded to the board for approval;

(iii) perform an annual review of the succession plans for the Corporation's CFO and Controller;

(iv) perform an annual review of this Committee mandate, with any recommended changes being forwarded to the Corporate Governance Committee and ultimately the board for approval; and

(v) annually review the audit of the expense reports of the Chair of the Board of Directors and the CEO.

Performance Evaluation

K) The Committee will perform an annual evaluation of its performance, having regard to the issues reviewed during the year.

COMMITTEE TIMETABLE

The timetable below generally outlines the Committee's anticipated schedule of activities during the year.

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Financial Reporting Control Systems												
Review with management any significant changes in financial risks facing the Corporation.			ü	ü				ü			ü	
(i) Review with management procedures followed with respect to disclosure controls and procedures.			ü	ü				ü			ü	
(ii) Review the management letter from the external auditor and corporation's responses to suggestions made.				ü								
(iii) Annually review the Committee mandate.			ü									
(iv) Review specific matters as required affecting financial reporting such as insurance coverage, the status of the Corporation's tax loss carry-forwards, pension and health care liabilities, and off balance sheet transactions.											ü	
(v) Review the appointment of the financial senior executives of the Corporation.			ü	ü				ü			ü	
(vi) Establish and maintain a set of procedures for the receipt, retention and treatment of complaints received by the Corporation concerning accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and review submissions as received.			ü	ü				ü			ü	
(vii) Discuss and consider policies with respect to risk assessment and risk management.												ü
(viii) Meet separately and periodically, no less than annually, with management, with internal auditors (or persons responsible for the internal audit function) and with independent auditors.			ü	ü				ü			ü	
B) Interim Financial Statements												
(i) Review and approval of interim financial statements and MD&A.				ü				ü			ü	

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
C) Annual Financial Statements and Other Financial Information												
(i) Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements.			ü	ü				ü			ü	
(ii) Obtain summaries of significant transactions, and other complex matters whose treatment in the annual financial statements merits advance consideration.			ü	ü				ü			ü	
(iii) Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by the Corporation's officers.			ü									
(iv) Review summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments.			ü	ü				ü			ü	
(v) Discuss the annual financial statements, MD&A and the auditors' report thereon in detail with the Corporation's officers and the external auditors.			ü									
(vi) Review and recommend to the board of directors approval of all financial disclosure contained in prospectuses, annual information forms, management proxy circulars and other similar documents.			ü									
(vii) Before the release of each quarterly report and annual financial statements, discuss with the external auditors all matters required by SAS 61 and CICA Handbook section 5751.			ü	ü				ü			ü	
(viii) Provide the board with a recommendation for approval of the annual financial statements.			ü									
(ix) Discuss earnings press releases and earnings guidance as well as the release of significant new financial information.			ü	ü				ü			ü	
D) Relationship with External Auditors												
(i) Annually appoint (subject to shareholder approval) external auditor.			ü									
(ii) Annually review and approve terms of engagement and determine remuneration of external auditor.											ü	
(iii) Review representation letters given by management to external auditor.			ü	ü				ü			ü	
(iv) Monitor the external auditor's qualifications and independence through the activities listed in Section G.			ü									

Committee Timetable													
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**	
(v) Review the audit plan with the external auditors and approve all substantive audit services in advance.												ü	
(vi) Approve permissible non-audit services in advance.					ü	ü				ü			
(vii) Review all fees paid to external auditors.					ü	ü				ü		ü	
(viii) Review performance against audit proposal plan.					ü								
(ix) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.					ü	ü				ü		ü	
(x) Receive a report from the external auditor with respect to:													
(a) all critical accounting policies and practices;					ü								
(b) all alternative treatments of financial information within GAAP that have been discussed with management, implications of their use and the external auditors' "preferred treatment";					ü								
(c) any other material written communications between the auditor and management;					ü								
(d) the internal quality-control procedures of the external auditors;					ü								
(e) any material issues raised by the most recent internal quality-control review of the external auditors' firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such firm, and any steps taken to deal with any such issues; and					ü								
(f) all relationships between the external auditors and the Corporation, as detailed in §(i) under Section G – Independence of External Auditors.					ü								
(xi) Resolve all disagreements between management and the external auditors regarding financial reporting.						ü				ü		ü	
(xii) Ensure that the audit partners representing the external auditors meet the rotation requirements set out by the U.S. Securities and Exchange Commission and by any other applicable Canadian or U.S. securities regulatory authority or stock exchange.												ü	

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
E) Treasury												
(i) Review and approve the Treasury Policy.				ü								
(ii) Review the Quarterly Treasury Report.			ü	ü				ü			ü	
(iii) Review and approve the Foreign Exchange Policy.				ü								
F) Independence of External Auditors												
(i) Receive from the external auditors, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation consistent with ISB No. 1.			ü									
(ii) Review and actively discuss with the Board of Directors, if necessary, and the external auditors, on a periodic basis, any disclosed relationships or services between the external auditors and the Corporation or any other disclosed relationships or services that may impact the objectivity and independence of the external auditors.			ü									
(iii) Recommend, if necessary, that the Board take action to satisfy itself, of the external auditors' independence.			ü									
(iv) Ensure that the Corporation does not hire as the Corporation's CEO, CFO, Controller or chief accounting officer any person who was employed by the Corporation's external auditors and who participated in any capacity in the audit of the Corporation during the one-year period preceding the initiation of the current audit.			ü	ü				ü			ü	
G) Internal Audit and Controls												
(i) Ensure that the Corporation has appropriate systems of internal control.			ü	ü				ü			ü	
(ii) Review quarterly the internal auditors' report on the adequacy of the internal controls, policies and procedures.			ü	ü				ü			ü	
(iii) Annually review and approve internal audit plan.				ü								
H) Related Party Transactions												
(i) Review and approve the Corporation's related party transactions over US$60,000.			ü	ü				ü			ü	ü
(ii) Review a summary of the Corporation's related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the Committee.			ü	ü				ü			ü	ü

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
I) Other												
(i) Annually review management's compliance with the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy.												ü
(ii) Annually review the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy, with any recommended changes being forwarded to the board for approval												ü
(iii) Annually review the succession plans for the Corporation's CFO and Controller.												ü
(iv) Annually review the audit of expense reports of the Chairman of the Board of Directors and the CEO.				ü								
J) Performance Evaluation												
(i) Review annual evaluation of the Committee's performance.			ü									

APPENDIX "D" MANAGEMENT DEVELOPMENT, NOMINATING & COMPENSATION COMMITTEE MANDATE

PURPOSE

The purpose of the Management Development, Nominating & Compensation Committee (the "Committee") is to review and approve the Corporation's employee and management compensation policies and practices, incentive compensation plans (cash and equity-based short and long term incentive plans), the amount and form of compensation of the executive officers of the Corporation, all appointments of employees as executive officers, all director nominations to the board and succession plans for directors and executive officers of the Corporation. In this Mandate, the "Corporation" means Ballard Power Systems Inc. and a "director" means a board member.

COMPOSITION

A) There will be at least three members of the Committee.

B) All of the members of the Committee must be independent directors.

C) Any member may be removed or replaced at any time by the board and will cease to be a member upon ceasing to be a director of the Corporation. Each member will hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced whichever occurs first.

D) The Committee Chair will be appointed by the Committee.

MEETINGS

A) The Committee will meet at least four times per year.

B) The Committee will appoint its own Secretary, who need not be a director. The Secretary in conjunction with the Chair of the Committee will draw up an agenda, which will be circulated, in advance to the members of the Committee with the materials for the meeting. The Secretary will be responsible for taking and keeping the Committee's meeting minutes.

C) Meetings will be chaired by the Chair of the Committee, or if the Chair is absent, by a member chosen by the Committee from among themselves.

D) If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

E) The Committee will conduct an in-camera session at the end of each Committee meeting without management present.

F) All directors who are not members of the Committee will be given notice of every meeting of the Committee and will be allowed to attend as observers. The President and CEO will be given notice of all meetings and will normally be requested to attend, other than in cases where the Committee wishes to meet in-camera. Other executives or employees of the Corporation will attend at the request of the Committee.

G) A majority of Committee members constitute a quorum.

H) All decisions made by the Committee may be made at a Committee meeting or evidenced in writing and signed by all Committee members, which will be fully effective as if it had been made or passed at a Committee meeting.

I) The minutes of all meetings of the Committee will be provided to the board of directors. The Chair of the Committee will provide an oral report on the Committee's activities to the board of directors at the next regularly scheduled meeting of the board following each Committee meeting.

DUTIES AND RESPONSIBILITIES

A) Determine remuneration and other benefits of the Corporation's executive officers and consultants and performance bonuses and long term incentives for the Corporation's employees.

In fulfilling this responsibility, the Committee will

(i) Annually approve and recommend to the board of directors of the Corporation the corporate multiplier reflecting the Corporation's prior year performance,

(ii) Annually review the Corporation's performance bonus plan, approve performance bonus awards to the Corporation's non-executive employees, and recommend to the board of directors of the Corporation any issuances of common shares of the Corporation in payment of such performance bonuses,

(iii) Annually approve long term incentive awards to the Corporation's non-executive employees, and recommend to the board of directors of the Corporation any issuances of equity based incentives,

(iv) annually approve the CEO's personal performance goals,

(v) determine the remuneration, benefits and terms and conditions of employment of the CEO in light of the Corporation's financial and non-financial performance, and recommend to the board of directors of the Corporation any issuances of equity based compensation. Where the CEO is also the Chair of the Board, the Committee will also receive input from the Corporate Governance Committee on the evaluation and performance of the Chair of the Board,

(vi) approve the remuneration of the other executive officers of the Corporation, and recommend to the board of directors of the Corporation any issuances of equity based compensation,

(vii) have the authority to appoint, determine the level of remuneration for, oversee and terminate services provided by, consultants. Any consultants engaged by the Corporation at the direction of the Committee will report directly to the Committee and the Chair of the Committee is authorized to execute and deliver on behalf of the Corporation any agreements or other documents relating to the terms of such appointments, and

(viii) set and review executive share ownership guidelines and monitor compliance.

B) Recommend Board Nominees

The Committee will seek out and recommend to the board of directors the nominees for appointment, election or re-election to the board.

C) Review and approve the Corporation's equity-based incentive plans and recommend to the board of directors of the Corporation distributions under such plans

In fulfilling this responsibility the Committee will

(i) review eligibility criteria and award guidelines,

(ii) review the proposals of the CEO and approve and make determinations on equity-based incentive plans such as share option and share distribution plans, including any amendments thereto, and

(iii) review the proposals of the CEO and approve option, share and share equivalent allocations, and make recommendations to the board regarding the issuance of such options, shares and share equivalents.

D) Succession Planning

As required, the Committee will review and approve succession plans for directors, executive officers of the Corporation, and as deemed necessary by the Committee, any other officers or employees of the Corporation.

In fulfilling this responsibility for succession plans for directors, the Committee will:

(i) develop and regularly review director qualification standards,

(ii) develop a procedure for director selection to ensure that a broad number of skills are present on the board, and

(iii) to the extent required by applicable laws or regulations, ensure that there is a procedure to allow individual shareholders to recommend director nominees to the Committee for consideration.

In fulfilling this responsibility for succession plans for executive officers, the Committee will:

(iv) review the functions of officers of the Corporation,

(v) review and discuss qualifications of proposed candidates named in succession plans, and

(vi) provide guidance to management with respect to the succession plans.

E) Review and approve regulatory filings

The Committee will review and approve the disclosure to be made of director and executive remuneration in the Management Proxy Circular.

F) Seek information from the Corporation or independent advisors

The Committee will have the authority to seek any information that it requires from any officer or employee of the Corporation. The Committee is authorized to obtain such independent advice as it considers necessary.

G) Other

The Committee will:

(i) perform an annual review of this Committee mandate, with any recommended changes being forwarded to the Corporate Governance Committee and ultimately the board for approval;

(ii) perform an annual evaluation of its performance, having regard to the issues reviewed during the year; and

(iii) review the results arising from the Corporation's annual employee survey, in years in which one is conducted.

The timetable set out below generally outlines the Committee's anticipated schedule of activities during the year.

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Board Nominees												
(i) Board succession planning												ü
(ii) Review upcoming year's board nominees.			ü									
(iii) Approval of nominees for board to be included in management proxy circular(3)			ü									
B) Executive Nominees												
(i) Approve succession plans for executive officers									ü			
(ii) Approve compensation of new executive officers (as required)												
(iii) Confirmation of executive officers (3)					ü							
(iv) Set and review executive share ownership guidelines and monitor compliance												ü
C) The Corporation's Incentive Plans												
(i) Review and approval of new compensation and incentive plans, as necessary									ü (1)			ü (2)
(ii) Review and approve corporate bonus goals(3)												ü
(iii) Review and approve corporate multiplier(3)			ü									
D) CEO Performance												
(i) Review and approve the CEO evaluation process												ü
(ii) Evaluate CEO performance			ü									
(iii) Set CEO's personal performance goals			ü									

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
E. Compensation												
(i) Review of compensation policy and competitive pay position relative to market									ü (1)			ü (2)
(ii) Review and approval of retirement/pension plan design and application issues									ü			
(iii) Review of executive and employee annual compensation adjustment budget and long term incentives funding proposal												ü
(iv) Review and approve proposed executive salary increase guidelines												ü
(v) Approval of CEO compensation adjustments and bonus awards (shares and share equivalents) for prior year performance, and long term incentive allocations(2) and approval of issuance of shares, share equivalents and long term incentives(3)			ü									
(vi) Approval of executive and employee compensation adjustments and bonus awards (cash, shares and share equivalent) for prior year performance, and long term incentive allocations(2) and approval of issuance of shares, share equivalents and long term incentives(3)			ü									
F. Miscellaneous												
(i) Approval of committee's report for inclusion in management proxy circular(3)			ü									
(ii) Annually review Committee mandate(3)			ü									
(iii) Annually review employee survey results								ü				

_____

(1) Review
(2) Approve
(3) Approve and recommend for board approval

APPENDIX "E" CORPORATE GOVERNANCE COMMITTEE MANDATE

PURPOSE

The purpose of the Corporate Governance Committee (the "Committee") is to monitor the governance of the board of directors (including the size of the board and the profiles of the board members) and board committees, and to monitor director compensation matters. In this Mandate, the "Corporation" means Ballard Power Systems Inc. and a "director" means a board member.

COMPOSITION

A) The Committee will be composed of no fewer than three directors.

B) The Committee will have a majority of independent directors.

C) Any member may be removed or replaced at any time by the board and will cease to be a member upon ceasing to be a director of the Corporation. Each member will hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced whichever occurs first.

D) The Committee will appoint its own Chair.

MEETINGS

A) Meetings of the Committee will be held as required, but at least four times a year.

B) The Committee will appoint its own Secretary, who need not be a director. The Secretary, in conjunction with the Chair of the Committee, will draw up an agenda, which will be circulated, in advance to the members of the Committee along with the materials for the meeting. The Secretary will be responsible for taking and keeping the Committee's meeting minutes.

C) Meetings will be chaired by the Chair of the Committee, or in his absence by a member chosen by the Committee from among themselves.

D) If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

E) The Committee will conduct an in-camera session at the end of each Committee meeting without management present.

F) All directors who are not Committee members will be given notice of every meeting of the Committee and will be allowed to attend as observers, other than in cases where the Committee wishes to meet in-camera.

G) The President and CEO and Chair of the Board will be given notice of all meetings and will normally be requested to attend, other than in cases where the Committee wishes to meet in-camera. Other executive officers or employees of the Corporation will attend at the request of the Committee.

H) A majority of Committee members constitute a quorum.

I) All decisions made by the Committee may be made at a Committee meeting or evidenced in writing and signed by all Committee members, which will be fully effective as if it had been made or passed at a Committee meeting.

J) The minutes of all meetings of the Committee will be provided to the board of directors. The Chair of the Committee will provide an oral report on the Committee's activities to the board of directors at the next regularly scheduled meeting of the board following each Committee meeting.

DUTIES AND RESPONSIBILITIES

A) Monitor corporate governance issues.

In fulfilling this responsibility, the Committee will:

(i) advise the Chair of the Board and the board of directors on matters of corporate governance;

(ii) advise the board on issues of conflict of interest for individual directors;

(iii) conduct, on an annual basis, an assessment of the effectiveness of the board, the committees of the board, and the individual directors, and report on such assessments to the full board;

(iv) annually review the mandates for the board, each board committee and board committee chair, and terms of reference for individual directors;

(v) recommend to the board the approval of any required or appropriate change to any document referenced in (A)(iv);

(vi) set and monitor minimum attendance guidelines for board of directors and committee meetings;

(vii) set and periodically review director minimum share ownership requirements;

(viii) develop, in conjunction with the Chair of the Board and the President & CEO, and review, annual board focus priorities;

(ix) consider and approve, where appropriate, requests by individual directors to engage the services of outside experts and advisors at the expense of the Corporation, so long as the CEO is given full knowledge of such engagement, unless the provision of such knowledge would be inappropriate in the circumstances;

(x) at the request of the board, consider any other matters which will assist the board to meet its responsibilities regarding corporate governance matters, including adherence to any governance guidelines or rules established by applicable regulatory authorities;

(xi) develop guidelines for the required resignation of directors;

(xii) annually review the corporate governance disclosure contained in the Corporation's management proxy circular and annual information form; and

(xiii) have the authority to appoint, determine the level of remuneration for, oversee and terminate the services provided by consultants. Any consultants engaged by the Corporation at the direction of the Committee will report directly to the Committee and the Chair of the Committee is authorized to execute and deliver on behalf of the Corporation any agreements or other documents relating to the terms of such appointments.

B) Recommend to the board of directors the size of the board and the membership of all board committees.

The Committee will make a recommendation to the board annually on the size of the board. The Committee will also recommend to the board annually the directors for appointment to the board committees.

C) Organize, review and recommend continuing education programs and policies relating to directors

As required, the Committee will:

(i) with the assistance of management, organize and provide an appropriate orientation and education program for new directors, provide continuing education materials to directors;

(ii) organize and recommend educational presentations to be made to the board where appropriate; and

(iii) review from time to time any policies with respect to term limits for length of service by, and mandatory retirement age of, directors.

D) Determine the compensation of the directors.

The Committee will review the adequacy and form of compensation for directors and ensure that such compensation realistically reflects the responsibilities and risks involved. The Committee will also review and approve any equity compensation plans, including any amendments thereto, relating to the issuance of equity compensation to directors.

E) Evaluate the performance of the Chair of the Board.

The Committee will evaluate the performance of the Chair of the Board.

In fulfilling this responsibility, the Committee will:

(i) establish formal performance objectives;

(ii) monitor the performance of the Chair of the Board; and

(iii) provide formal and informal feedback on performance.

F) Develop and implement succession planning strategies for the Chair of the Board.

G) Assess responsibilities of management.

The Committee will assess the relationship between the board and executive officers and recommend, as necessary, limits on the authority of management where board input is required.

The timetable below generally outlines the Committee's anticipated schedule of activities during the year.

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Corporate Governance												
(i) Determine process for board evaluation												ü
(ii) Assess the effectiveness of the board of directors			ü									
(iii) Review the mandates for the board, each board committee and board committee chair, and terms of reference for individual directors			ü									
(iv) Review director minimum share ownership requirements									ü			
(v) Review annual board focus priorities			ü						ü			
(vi) Review and approve the corporate governance disclosure contained in the Corporation's management proxy circular and annual information form			ü									
(vii) Receive report from management regarding submissions to the Office of the Chair e-mail address			ü		ü				ü			ü
(viii) Review policies/guidelines relating to directors including provisions for resignations and term limits					ü							ü
B. Size of Board and Board Committees												
(i) Recommend to the board the size of the board			ü									
(ii) Recommend to the board the directors for appointment to the board committees					ü							
C. Board Education												
(i) Review board education plan annually						ü						
D. Director Compensation												
(i) Review levels of director compensation and approve any changes									ü			
E. Board Chair Evaluation												
(i) Review Chair's performance			ü									
(ii) Review succession planning									ü			

TITLE: Code of Ethics and Workplace Guidelines Policy

Revision Record				
Rev	**CO**	**Description**	**Revised by**	**Date**
0A	02289	Initial Release	Maria Lunden	May 21, 2002
0B	04261	Revisions made to comply with new corporate governance rules promulgated by US and Canadian regulators.	Candice Alderson	November 4, 2002
0C	08617	Revised to reflect title change from Vice President, Strategic Development to Vice President, Marketing and Business Development.	Maria Lunden	January 24, 2005
0D	10597	Revised to comply with U.S. corporate governance requirements under Sarbanes Oxley legislation.	Stephanie Chan	March 15, 2006
0E	12650	Revised as part of annual review by Board of Directors	Stephanie Chan	March 15, 2007
0F	15751	Approved by Board of Directors without changes on Feb 20, 2008 as part of the annual review.	Todd Croll	Feb 20, 2008
0G	16972	Approved by Board of Directors as amended on March 3, 2009 as part of annual review.	Kerry Hillier	March 3, 2009
OH		Approved by Board of Directors as amended on September 21, 2010	Kerry Hillier	September 21, 2010

This Policy replaces the former Code of Ethics Policy (116-0020-00).

Created by: Stephanie Chan — Date: March 15, 2006
Owner: Kerry Hiller — Date: March 27, 2009
Approved by: Kerry Hiller — Date: September 21, 2010

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Printed on: Monday, March 7, 2011

1.0 Purpose

Ballard's code of ethics and workplace guidelines policy is based on our corporate values and represents important expectations that Ballard has of all Ballard employees (including senior officers and members of Ballard's board of directors). This Policy forms the cornerstone of how we conduct business and work together to achieve our goals. The behaviour and characteristics set out in this Policy are expected of every Ballard employee.

2.0 Scope

Our working environment is based on demonstrating mutual trust, respect, and concern for the safety and well being of every Ballard employee. The Policy reflects a commitment to achieve the highest level of ethical conduct and standards. We expect our employees use good judgement and we expect all Ballard employees to act in accordance with the spirit of this Policy.

In some cases Ballard has specific individual policies that deal exclusively with certain issues raised in this Policy. All our employees must review such individual policies as they cover a broader range of information relating to the specific issue.

3.0 Definitions

In this Policy, "Ballard" means Ballard Power Systems Inc. and each other member of the Ballard group of companies. References to "the Corporation" refer specifically to Ballard Power Systems Inc.

4.0 Expectations of Conduct

In the course of work related activity, you must observe these guidelines:

(a) Treat everyone with respect and dignity.

(b) Deal fairly with Ballard's customers, suppliers, competitors and Ballard employees and do not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

(c) Support and contribute to the success of your fellow Ballard employees and the overall achievement of team goals and objectives.

(d) Uphold and abide by Ballard's policies, guidelines, and philosophies.

(e) Provide honest and accurate information in all Ballard documentation and communications, including any reports submitted to external parties, such as governmental agencies.

(f) Ensure that all reports and documents filed by Ballard with regulatory authorities are full, fair, accurate, timely and understandable.

(g) Not fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit of Ballard's financial statements, for the purpose of rendering such financial statements materially misleading.

(h) Report expenses accurately and honestly.

(i) Place the interests of Ballard ahead of any personal profit or gain.

(j) Refrain from engaging in any threatening behaviour or fighting while on Ballard premises or while carrying out your employment duties.

(k) Act respectfully in interactions with others by not using offensive or abusive language while carrying out your employment duties or engaging in gossip or expressing derogatory remarks about other Ballard employees, members of management, customers or visitors or otherwise engaging in any conduct which could be in violation of the Workplace Harassment and Anti-Discrimination Policy.

(l) Use your best efforts to protect Ballard and Ballard employee property against any theft or willful damage.

(m) Uphold Ballard's Confidentiality Policy by not disclosing, misusing or removing any Ballard records, documentation, photographs, drawings, customer information, or any other confidential information without authorization.

(n) Abide by all of Ballard's policies and laws and regulations that are applicable to Ballard's business.

(o) Use Ballard property for the purpose it is intended, and not for any personal purposes or gain.

(p) Strive for attendance and punctuality. Your daily contribution is important to the success of Ballard.

(q) Abide by any confidentiality or non-disclosure agreements with former employers.

(r) Conduct your activities safely and without jeopardizing your own health and safety, or that of another Ballard employee. See the section entitled "Prohibited Acts" below.

(s) Possess or use no alcohol (except as permitted if approved by senior management for a special function) or other controlled substance while on Ballard premises.

(t) While on Ballard premises, only smoke outdoors in designated areas.

(u) Practice good housekeeping in your work area to maintain a healthy and safe working environment.

(v) Bring no firearms, dangerous weapons, or illegal items onto Ballard property. See the section entitled "Prohibited Acts" below.

(w) Refrain from making any improper or illegal payments to any government officials.

5.0 Prohibited Acts

Workplace Violence

The possession, use or threatened use of any weapon, including but not limited to a firearm, handgun, knife, explosive weapon, gun, chemical dispensing device or club, on any Ballard premises is strictly prohibited.

Any person, including but not limited to Ballard employees, agents, independent contractors, customers, visitors, licensees, invitees and trespassers, who possess, use or threaten to use a weapon on any Ballard premises, will be subject to immediate removal from the premises. Additionally, that person may be subject to legal action.

One of Ballard's goals is to maintain a workplace that is safe and free of any and all threats of violence or acts of violence. Ballard has zero tolerance for any kind of workplace violence or threat of violence. Prohibited acts include, but are not limited to, any threats of violence, destruction of personal or Ballard property, and acts of physical violence and intimidation (regardless of whether such threats are made in jest).

It is the responsibility of each Ballard employee to be aware of what is going on around them and to immediately report to his or her supervisor or the Human Resource department the threat of any kind of violence that might endanger his or her own safety or the safety of others. All threats or acts of violence will be taken seriously.

For clarity, the possession and use of tools or implements (e.g., a knife or hammer) for the proper and authorized performance of a person's assigned work tasks on Ballard premises is not prohibited, but is otherwise governed by this Policy. See the section entitled "Expectations of Conduct" above, and the preceding discussion of prohibited acts.

Improper Payments to Government Officials

It is prohibited for any Ballard officer, employee, agent or representative to offer payments to a foreign official, directly or indirectly, in order to obtain or retain business or secure any improper advantage. In addition to government officials, "foreign officials" includes officials of public international organizations, consultants who hold government positions, employees of government-owned companies and political party officials. Direct or indirect payments includes payments, offers, authorizations or gifts of money or anything of value to a foreign official or to any other person (such as a consultant) who, in turn, is likely to make a gift, payment or offer anything of value to a foreign official.

A minor exception to this prohibition is expenditures for meals, entertainment and other normal social amenities with respect to foreign officials provided they are not extravagant and otherwise conform to local laws and customs. Similarly, gifts may be given to foreign officials only if the gifts are of modest value (i.e. under US $50) and conform to local laws and customs. Exercise your best personal judgment and common sense when deciding whether to offer a gift or invitation. When in doubt, please consult your supervisor.

Because the actions of a third party acting as an agent or representative can expose Ballard to liability under anti-bribery laws, care should be taken in the retention of such agents or representatives. A sufficient investigation should be undertaken to ensure any such person does not intend to engage in any improper practices.

Breach of Securities Laws or Fiduciary Duty

Should Ballard's legal counsel or any Ballard employee become aware of a material violation by Ballard of Canadian or U.S. securities laws, or a breach of the fiduciary duty owed to Ballard by any of its employees, such event shall be reported to Ballard's Chief Legal Officer or Chief Executive Officer, or such other person acting in a similar role.

6.0 Conflict of Interest

A Ballard employee that finds himself or herself in a situation where he or she may be placing their own or others interests ahead of the interests of Ballard must seek advice from his or her direct supervisor.

While Ballard has a specific Conflict of Interest Policy that sets out the appropriate responses to certain conflicts of interest, the list below indicates a few conflicts that Ballard employees should be aware of. However, many other conflicts of interest can exist and the list below simply sets out the ones that most commonly arise. If you are in a conflict of interest or perceive you may be in a conflict of interest, please consult the Conflict of Interest Policy and speak to your supervisor.

Accepting gifts and invitations

Ballard employees may not accept any money or gifts from a supplier or customer, especially where it could influence or might reasonably be seen as influencing Ballard's business relationship with that supplier or customer. As a minor exception to this general rule, this Policy does not prohibit Ballard employees from accepting occasional gifts of nominal value (i.e. under US $50) or social invitations which are customary and proper under the circumstances and in keeping with good business ethics, so long as no reciprocal obligation is involved in such acceptance.

Exercise your best personal judgment and common sense when deciding whether to accept a gift or invitation. When in doubt, please consult your supervisor. Ballard employees must keep in mind that soliciting a gift (whether of nominal value or otherwise) is never acceptable.

Choosing suppliers

When choosing a supplier among competitors for any goods or service, Ballard employees must weigh the facts impartially and objectively. Choose the supplier who can offer the best-valued product or service in accordance with Ballard's needs. Ballard employees must not do anything that suggests the purchase decision was influenced by irrelevant or improper considerations, such as a kickback, bribe, personal favour, or gift. When choosing suppliers, Ballard employees must disclose to their supervisor any personal relationships which could influence, or be perceived to influence, the selection and then abstain from the decision making process. In addition, Ballard employees must not exert any influence to obtain "special treatment" from a particular supplier. It is essential that suppliers competing for Ballard's business have confidence that Ballard's selection process is ethical.

Financial conflicts of interest

Ballard employees should avoid acquiring or holding a significant financial interest in companies where it may give rise to a conflict between the employee's financial interest and Ballard's interests, such as a supplier, customer or provider of service. A financial interest generally will be considered "significant" or improper if the amount of investment (e.g. number of shares owned), together with the identity of the particular company in which the Ballard employee has invested, is influencing or could be viewed objectively as influencing a Ballard employee's actions or decisions as a Ballard employee. If a Ballard employee holds a significant interest in another company which does business or is negotiating to do business with Ballard, the Ballard employee must disclose the potential conflict to his or her supervisor and refrain from all decision making related to and interaction with that other company in the course of employment.

Loans

Subject to legislative exceptions, Ballard shall not, directly or indirectly, extend, arrange or renew an extension of credit in the form of a personal loan to or for any director or executive officer.

7.0 Confidentiality

While Ballard has a specific Confidentiality Policy that sets out guidelines for the safeguarding of confidential information and for the conduct of Ballard employees and members of Ballard's board of directors acting on behalf of Ballard when dealing with external parties, it is important to reiterate some of the important points of the Confidentiality Policy in this Policy.

Ballard employees must not use their knowledge of any confidential or internal information for personal gain, financial or otherwise. In addition, Ballard employees should not discuss details of Ballard's business with family or friends or at social or public functions such as dinner parties or trade shows. Communications with analysts, the media and investors may only be handled by senior management (i.e. CEO, President or Vice President) or the Corporation's Corporate Relations department in accordance with Ballard's Disclosure Policy.

While it may occasionally become necessary to disclose confidential information in the course of business, such disclosure must be limited to situations where controls have been put into place to limit the inappropriate use or further disclosure of the information. Where confidential information must be disclosed to an external party (such as collaborators, joint developers, suppliers, customers, bankers or professional advisors), only information absolutely necessary to the external party should be provided and the external party should sign a confidentiality agreement in acceptable form.

Ballard employees are also required to maintain the confidentiality of information entrusted to them by external parties (e.g. suppliers, customers) in the same manner that Ballard confidential information is maintained.

To ensure that the confidentiality of Ballard's or external parties' information is maintained when multiple copies of a confidential document has been distributed, all Ballard employees should keep a record of where each copy is and the persons to whom they have given such a copy. This can be done by numbering each copy and creating a distribution list. Confidential documents should include a legend stating that they are proprietary and confidential.

If a Ballard employee or a member of Ballard's board of directors discloses material confidential information to an external party and is concerned that such disclosure may not have been in accordance with this Policy, he or she must immediately notify his or her supervisor or the Corporation's Chief Financial Officer or Manager, Corporate Relations or the Corporation's Legal department in Burnaby, British Columbia, Canada. Likewise, a Ballard employee who has any questions regarding the potential disclosure of confidential information should contact his or her supervisor for clarification.

8.0 Compliance with applicable laws and monitoring and enforcement procedures

Ballard expects all Ballard employees to adhere to internal policies and guidelines as well as all laws and regulations that apply to Ballard's business. To ensure that all Ballard employees are aware of Ballard's policies, new Ballard employees are required to attend policy training seminars. At these seminars Ballard employees receive training on this Policy, in addition to many others. Members of Ballard's board of directors also review this Policy and the Corporate Watch Policy on an annual basis. Each member of Ballard's management is required to confirm his or her compliance with this Policy on an annual basis.

When an act of Ballard, a Ballard employee or a member of Ballard's board of directors violates a policy, law or regulation, Ballard's senior management must be informed in a timely manner so that issues may be investigated and dealt with as quickly as possible. Delays in bringing the information to the attention of senior management may cause damage, complications, and irreversible consequences for Ballard. Following the steps outlined below and ensuring that reports of violations are accurate and reliable will allow Ballard to address the issues and ensure that timely remedial action is taken.

You must make a report under this Policy if you are aware of information which you reasonably believe demonstrates:

(a) A violation of any internal policy or code of practice,

(b) A contravention of any law, rule or regulation,

(c) Corruption, illegality, mismanagement or fraud, or

(d) A danger to the public or danger to a Ballard employee's health and safety.

Ballard welcomes the courage and honesty of any Ballard employee who voices concern over a particular course of action that he or she genuinely believes to be unlawful or harmful. Any attempts to intimidate or threaten a Ballard employee to discourage reports pursuant to this Policy and any retaliation or harassment based upon a report made by any Ballard employee pursuant to this Policy is strictly prohibited and will result in disciplinary action up to and including immediate termination.

Groundless or unwarranted complaints or disclosures of a harassing nature – with an ulterior motive of vindictive intent – will not be tolerated. Appropriate disciplinary measures will be taken if allegations are initiated for malicious reasons or in bad faith.

If you believe wrongdoing or serious misconduct has taken place, follow these procedures:

(a) Approach your supervisor or a senior executive to discuss the matter,

(b) Make an anonymous report via Ballard's web reporting site. The URL for the site is: https://ballard.alertline.com.

(c) Leave an anonymous message at either 1-866-412-3123 if calling from North America, or if calling from outside North America dial (country's international access code) + 800-7530-7530.

The web reporting site and toll-free numbers have been set up with a third-party service provider for the sole purpose of receiving reports under this Policy. They are completely anonymous and no information about the sender is recorded. Reports and messages will be

received by one designated person from the Corporation's Human Resources, Legal and Internal Audit departments and then forwarded to the appropriate individuals.

Under certain statutes and regulations relating to corporate governance practices, companies are required to provide for an anonymous method for employees to make submissions regarding any concerns relating to an accounting or auditing matter. Any submissions received relating to an accounting or auditing matter will also be reported directly to the Corporation's Audit Committee (a committee of the board of directors) for further action.

If a Ballard employee receives an inquiry from a governmental authority concerning suspected unlawful conduct, the Ballard employee must immediately direct the inquiry to the Corporation's Legal department in Burnaby, British Columbia, Canada. In such circumstances, Ballard employees should take measures to preserve documents and other items relevant to the investigation. To conceal an offence or to alter or destroy evidence violates Ballard's commitment of conducting its business in a legal, ethical and credible manner and is strictly prohibited.

Ballard's response to reports could include the following:

(a) Ballard will promptly commence a formal internal investigation into the matter in a thorough and fair manner. The identity of a person reporting a possible violation is treated as confidential to the extent possible, and only revealed on a need-to-know basis or as required by law or court order.

(b) If unlawful conduct is discovered from the investigation, immediate steps to achieve compliance with the applicable law, regulation or policy will be taken.

Ballard is committed to complying with all applicable laws, regulations and policies. Such compliance is only possible if all Ballard employees ensure that they follow all applicable laws, company policies and guidelines, and seek advice when in doubt from the Corporation's Legal department in Burnaby, British Columbia, Canada. Ballard employees who violate the law or Ballard's compliance policies or knowingly fail to report a violation of law or compliance policy may be subject to disciplinary action. The nature and extent of the action will be determined on a case-by-case basis. In reviewing what disciplinary action is appropriate in any given situation, Ballard will consider a number of factors, including, but not limited to:

(a) The nature and severity of the offence,

(b) The intent of the persons involved,

(c) Whether the persons involved acted reasonably,

(d) Any efforts by the persons involved to obtain guidance before the offence occurred, and

(e) Whether the persons involved reported themselves.

Ballard employees are encouraged to report their own wrongdoing. This action will be taken into account when assessing the appropriate discipline. Ballard will also recognize situations where a Ballard employee has made an honest mistake while acting reasonably and, in such situations, where reasonable, consider whether corrective action can be reduced or eliminated.

9.0 Termination of Employment

At the end of your employment with Ballard, you must abide by certain obligations set out in your employment agreement or other related agreements. These obligations, and in particular those regarding intellectual property, confidentiality, non-solicitation and, for certain Ballard employees, non-competition, continue after termination of employment. You must also return all confidential information, documents, drawings, computer programs, tapes or other records, including copies and summaries thereof prepared by you with respect to your employment or which come into your possession because of your employment. You must return property, such as laptops and mobile phones to Ballard before your last day.

10.0 Notice

A violation of this Policy may carry severe consequences both for Ballard and the individuals involved. Compliance with this Policy is a condition of office or employment with Ballard. A violation of this Policy may be grounds for discipline, up to and including immediate dismissal.

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Printed on: Monday, March 7, 2011

EXHIBIT 99.5

Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002

I, **John W. Sheridan,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 9, 2011

By: /s/ John W. Sheridan
Name: John W. Sheridan
President and Chief Executive Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002

I, **Tony Guglielmin,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 9, 2011

By: /s/ Tony Guglielmin
Name: Tony Guglielmin
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.6

Section 906 Certification

Certification Pursuant to
18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Ballard Power Systems Inc., a corporation organized under the laws of Canada (the "Company"), for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 9, 2011

/s/ John W. Sheridan
John W. Sheridan
President and Chief Executive Officer (principal executive officer)

Dated: March 9, 2011

/s/ Tony Guglielmin
Tony Guglielmin
Vice President and Chief Financial Officer (principal financial officer)

EXHIBIT 99.7

Consent of Independent Registered Public Accounting Firm

To the Board of Directors of
Ballard Power Systems Inc.

We consent to the inclusion in this annual report on Form 40-F of:

- our Report of Independent Registered Public Accounting Firm dated March 8, 2011 on the consolidated balance sheets of Ballard Power Systems Inc. (the "Company") as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2010;

- our Report of Independent Registered Public Accounting Firm dated March 8, 2011 on the Company's internal control over financial reporting as of December 31, 2010,

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2010.

Our report dated March 8, 2011, on the effectiveness of internal control over financial reporting as of December 31, 2010, contains an explanatory paragraph that states that management has excluded Dantherm Power A/S's internal controls over financial reporting from its assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2010.

We also consent to incorporation by reference of the above referenced audit reports in the Company's Registration Statements (No. 333-156553 and 333-161807) on Form S-8.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 8, 2011

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.