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

Form 40-F

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

OR

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

For the fiscal year ended December 31, 2014 **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:

S Annual information form

S 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.

132,104,116 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 S No £

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 £ No £

The Annual Report on Form 40-F shall be incorporated by reference into or as an exhibit to, as applicable, the following Registration Statements of the Registrant filed under the Securities Act of 1933: Form S-8 (File No. 333-156553 and 333-161807); and Form F-10 (File No. 333-195606).

Documents Incorporated by Reference

The following documents of Ballard Power Systems Inc. (the "Registrant" or the "Company") are filed as exhibits to this annual report and are incorporated by reference herein:

- the Registrant's Annual Information Form for the year ended December 31, 2014;
- the Registrant's Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013; and
- the Registrant's Management Discussion and Analysis for the year ended December 31, 2014.

Explanatory Note

The Company is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the United States Exchange Act of 1934, as amended (the "Exchange Act") on Form 40-F. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Accordingly, the Company's equity securities are exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this annual report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States.

The Company prepares its financial statements in accordance with International Financial Reporting Standards, as issued by the International Financial Accounting Boards, and they may be subject to Canadian auditing and auditor independence standards. Accordingly, the financial statements of the Company incorporated by reference in this report may not be comparable to financial statements of United States companies.

Forward Looking Statements

This report contains forward-looking statements concerning anticipated developments in the operations of the Company in future periods, planned development activities, the adequacy of the Company's financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will" and similar expressions, or by statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those described in the Annual Information Form incorporated by reference in this report.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Company assumes no obligation to update such forward-looking statements in the future. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

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.

Identification of the Audit Committee and Audit Committee Financial Expert

The Registrant has a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The related required disclosures are included in the Annual Information Form, under the heading "Audit Committee Matters", which is incorporated herein by reference to Exhibit 99.3. The Registrant's Board of Directors has determined that the Audit Committee has at least one member, Ian A. Bourne, who qualifies as an independent audit committee financial expert under applicable securities regulations.

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 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 code of ethics was amended in December 2014 to make clerical and 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 during the year ended December 31, 2014.

Principal Accountant Fees and Services

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

Off-Balance Sheet Arrangements

The required disclosure is included under the heading "Off-Balance Sheet Arrangements & Contractual Obligations" in Management's Discussion and Analysis, which is incorporated herein by reference to Exhibit 99.2. The information pertaining to the Registrant's indemnification arrangements contained in the Annual Information Form, under the heading "Material Contracts", is also incorporated herein by reference to Exhibit 99.3.

Tabular Disclosure of Contractual Obligations

The required disclosure is included under the heading "Off-Balance Sheet Arrangements & Contractual Obligations" in Management's Discussion and Analysis, which is incorporated herein by reference to Exhibit 99.2.

NASDAQ Corporate Governance

The Registrant's common shares are listed on the NASDAQ Global Market ("Nasdaq"). Nasdaq Marketplace Rule 5615(a)(3) permits a foreign private issuer, such as the Registrant, to follow its home country practice in lieu of most of the requirements of the 5600 Series of the Nasdaq Marketplace Rules. For a discussion of the significant differences between our corporate governance practices and those required to be followed by U.S. domestic issuers under Nasdaq's corporate governance requirements, please refer to our website at www.ballard.com.

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/ Tony Guglielmin Tony Guglielmin Vice President and Chief Financial Officer

Date: February 26, 2015

EXHIBIT LIST

Exhibit	Description
99.1	Ballard Power Systems Inc. Consolidated Financial Statements for the years ended December 31, 2014 and 2013
99.2	Ballard Power Systems Inc. Management's Discussion and Analysis for the year ended December 31, 2014
99.3	Annual Information Form for Ballard Power Systems Inc. dated as of February 26, 2015
99.4	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.6	Consent of KPMG LLP

EXHIBIT 99.1

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

BALLARD POWER SYSTEMS INC.

Years ended December 31, 2014 and 2013

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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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 IFRS. 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 (2013) 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, 2014. 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 six 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, 2014. 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.

"RANDALL MACEWEN"

RANDALL MACEWEN
President and
Chief Executive Officer
February 25, 2015

"TONY GUGLIELMIN"

TONY GUGLIELMIN
Vice President and
Chief Financial Officer
February 25, 2015

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

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 statements of financial position of Ballard Power Systems Inc. ("the Company") as of December 31, 2014 and December 31, 2013 and the related consolidated statements of loss and other comprehensive income (loss), changes in equity and cash flows for the years then ended. 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 consolidated financial position of the Company as of December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Chartered Accountants
Vancouver, Canada
February 25, 2015

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

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, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) 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" under 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential



We also have audited, in accordance with the Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of December 31, 2014 and December 31, 2013, and the related consolidated statements of loss and other comprehensive income (loss), changes in equity and cash flows for the years then ended, and our report dated February 25, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Chartered Accountants
Vancouver, Canada
February 25, 2015

BALLARD POWER SYSTEMS INC.
Consolidated Statement of Financial Position
(Expressed in thousands of U.S. dollars)

	Note	December 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		**$ 23,671**	$ 30,301
Trade and other receivables	8	**13,146**	15,471
Inventories	9	**12,538**	14,087
Prepaid expenses and other current assets		**1,294**	852
Total current assets		**50,649**	60,711
Non-current assets:			
Property, plant and equipment	10	**16,685**	19,945
Intangible assets	11	**24,151**	2,716
Goodwill	12	**36,291**	36,291
Investments	29	**6**	157
Long-term trade receivables	8	**-**	219
Other long-term assets		**167**	175
Total assets		**$ 127,949**	$ 120,214
Liabilities and Equity			
Current liabilities:			
Trade and other payables	14	**$ 12,556**	$ 11,484
Deferred revenue and other recoveries		**1,798**	6,160
Provisions	15	**9,010**	6,819
Finance lease liability	13 & 16	**1,008**	1,399
Debt to Dantherm Power A/S non-controlling interests	17	**529**	566
Total current liabilities		**24,901**	26,428
Non-current liabilities:			
Finance lease liability	13 & 16	**9,226**	10,772
Deferred gain on finance lease	16	**4,274**	4,734
Provisions	15	**4,353**	4,857
Employee future benefits	18	**5,961**	3,169
Total liabilities		**48,715**	49,960
Equity:			
Share capital	19	**914,786**	866,574
Treasury shares	19	**-**	(118)
Contributed surplus	19	**288,533**	296,368
Accumulated deficit		**(1,121,671)**	(1,091,187)
Foreign currency reserve		**280**	9
Total equity attributable to equity holders		**81,928**	71,646
Dantherm Power A/S non-controlling interests		**(2,694)**	(1,392)
Total equity		**79,234**	70,254
Total liabilities and equity		**$ 127,949**	$ 120,214

Subsequent events (note 30)
See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"Ed Kilroy" "Ian Bourne"
Director Director

BALLARD POWER SYSTEMS INC.
Consolidated Statement of Loss and Other Comprehensive Income (Loss)
For the year ended December 31
(Expressed in thousands of U.S. dollars, except per share amounts and number of shares)

	Note	2014	2013
Revenues:			
Product and service revenues		**$ 68,721**	$ 61,251
Cost of product and service revenues		**58,475**	44,492
Gross margin		**10,246**	16,759
Operating expenses:			
Research and product development		**14,294**	17,110
General and administrative		**10,126**	10,491
Sales and marketing		**7,589**	7,661
Other expense	23	**6,291**	868
Total operating expenses		**38,300**	36,130
Results from operating activities		**(28,054)**	(19,371)
Finance income (loss) and other	24	**(113)**	154
Finance expense	24	**(942)**	(1,486)
Net finance expense		**(1,055)**	(1,332)
Loss on sale of property, plant and equipment	10	**(73)**	(23)
Impairment loss on investment	29	**(149)**	(513)
Loss before income taxes		**(29,331)**	(21,239)
Income tax expense	25	**(417)**	(485)
Net loss from continuing operations		**(29,748)**	(21,724)
Net earnings from discontinued operations	7	**320**	24
Net loss		**(29,428)**	(21,700)
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit plans	18	**(2,863)**	2,852
		(2,863)	2,852
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**529**	(192)
		529	(192)
Other comprehensive income (loss), net of tax		**(2,334)**	2,660
Total comprehensive loss		**$ (31,762)**	$ (19,040)

See accompanying notes to consolidated financial statements

BALLARD POWER SYSTEMS INC.
Consolidated Statement of Loss and Other Comprehensive Income (Loss) (cont'd)
For the year ended December 31
(Expressed in thousands of U.S. dollars, except per share amounts and number of shares)

	2014	2013
Net income (loss) attributable to:		
Ballard Power Systems Inc. from continuing operations	**$ (28,188)**	$ (19,988)
Ballard Power Systems Inc. from discontinued operations	**320**	24
Dantherm Power A/S non-controlling interest	**(1,560)**	(1,736)
Net loss	**$ (29,428)**	$ (21,700)
Total comprehensive loss attributable to:		
Ballard Power Systems Inc.	**$ (30,460)**	$ (17,195)
Dantherm Power A/S non-controlling interest	**(1,302)**	(1,845)
Total comprehensive loss	**$ (31,762)**	$ (19,040)
Basic and diluted loss per share attributable to Ballard Power Systems Inc.		
Continuing operations	**$ (0.22)**	$ (0.20)
Discontinued operations	**0.00**	0.00
Net loss	**$ (0.22)**	$ (0.20)
Weighted average number of common shares outstanding	**127,385,814**	100,030,457

See accompanying notes to consolidated financial statements

BALLARD POWER SYSTEMS INC.
Consolidated Statement of Changes in Equity
(Expressed in thousands of U.S. dollars except per share amounts and number of shares)

	Ballard Power Systems Inc. Equity						Dantherm Power A/S	
	Number of shares	Share capital	Treasury shares	Contributed surplus	Accumulated deficit	Foreign currency reserve	Non-controlling interests	Total equity
Balance, December 31, 2012	91,801,477	$ 845,630	$ (313)	$ 291,184	$ (1,074,181)	$ 92	$ (4,410)	$ 58,002
Net loss	-	-	-	-	(19,964)	-	(1,736)	(21,700)
Additional investment in Dantherm Power A/S	-	-	-	-	-	-	1,319	1,319
Redemption of convertible debenture by non-controlling interest (note 17)	-	-	-	-	-	-	3,544	3,544
Net Offering proceeds (note 19)	17,625,000	19,977	-	-	-	-	-	19,977
Proceeds on issuance of convertible promissory note (note 19)	-	-	-	4,000	-	-	-	4,000
Purchase of treasury shares	-	-	(6)	-	-	-	-	(6)
DSUs redeemed	26,652	22	-	(53)	-	-	-	(31)
RSUs redeemed	540,239	718	201	(1,727)	106	-	-	(702)
Options exercised	140,533	227	-	(74)	-	-	-	153
Share distribution plan	-	-	-	3,038	-	-	-	3,038
Other comprehensive income (loss):								
Defined benefit plan actuarial gain	-	-	-	-	2,852	-	-	2,852
Foreign currency translation for foreign operations	-	-	-	-	-	(83)	(109)	(192)
Balance, December 31, 2013	110,133,901	866,574	(118)	296,368	(1,091,187)	9	(1,392)	70,254
Net loss	**-**	**-**	**-**	**-**	**(27,868)**	**-**	**(1,560)**	**(29,428)**
Acquisition of intangible assets (note 11)	**5,121,507**	**20,307**	**-**	**-**	**-**	**-**	**-**	**20,307**
Warrants exercised (note 19)	**7,939,937**	**12,299**	**-**	**-**	**-**	**-**	**-**	**12,299**
Exercise of convertible promissory note (note 19)	**4,761,905**	**4,000**	**-**	**(4,000)**	**-**	**-**	**-**	**-**
Sale of treasury shares (note 19)	**-**	**-**	**118**	**-**	**247**	**-**	**-**	**365**
RSUs redeemed	**583,084**	**866**	**-**	**(2,829)**	**-**	**-**	**-**	**(1,963)**
Options exercised (note 19)	**3,563,782**	**10,740**	**-**	**(3,946)**	**-**	**-**	**-**	**6,794**
Share distribution plan	**-**	**-**	**-**	**2,940**	**-**	**-**	**-**	**2,940**
Other comprehensive income (loss):								
Defined benefit plan actuarial loss	**-**	**-**	**-**	**-**	**(2,863)**	**-**	**-**	**(2,863)**
Foreign currency translation for foreign operations	**-**	**-**	**-**	**-**	**-**	**271**	**258**	**529**
Balance, December 31, 2014	**132,104,116**	**$ 914,786**	**$ -**	**$ 288,533**	**$ (1,121,671)**	**$ 280**	**$ (2,694)**	**$ 79,234**

See accompanying notes to consolidated financial statements

BALLARD POWER SYSTEMS INC.
Consolidated Statement of Cash Flows
For the year ended December 31
(Expressed in thousands of U.S. dollars)

	Note	2014	20132
Cash provided by (used for):			
Operating activities:			
Net loss for the year		**$ (29,428)**	$ (21,700)
Adjustments for:			
Compensatory shares	19	**2,249**	3,775
Employee future benefits (recovery)		**(71)**	(140)
Depreciation and amortization		**5,610**	5,731
Loss (gain) on decommissioning liabilities		**(282)**	(194)
Loss on sale of property, plant and equipment	10	**73**	23
Impairment loss (reversal) on property, plant and equipment	7 & 10	**(320)**	(45)
Impairment loss on trade receivables	23	**6,206**	222
Impairment loss on investment	29	**149**	513
Unrealized loss on forward contracts		**144**	-
		(15,670)	(11,815)
Changes in non-cash working capital:			
Trade and other receivables		**(4,104)**	1,655
Inventories		**1,464**	(2,904)
Prepaid expenses and other current assets		**(434)**	192
Trade and other payables		**69**	(5,048)
Deferred revenue and other recoveries		**(4,356)**	2,430
Warranty provision		**2,360**	(1,926)
		(5,001)	(5,601)
Cash used by operating activities		**(20,671)**	(17,416)
Investing activities:			
Net decrease in short-term investments		**-**	12,068
Additions to property, plant and equipment		**(829)**	(485)
Net proceeds on sale of property, plant and equipment and other		**-**	227
Additions to intangible assets		**(3,411)**	-
Net proceeds from disposition of Material Products division	7	**-**	9,085
Net investments in associated company	29	**-**	(4)
		(4,240)	20,891
Financing activities:			
Sale (purchase) of treasury shares		**365**	(6)
Net payment of finance lease liabilities		**(923)**	(976)
Net repayment of bank operating line	13	**-**	(8,753)
Net proceeds on issuance of share capital from stock option exercises	19	**6,794**	153
Net proceeds on issuance of share capital from warrant exercises	19	**12,299**	-
Net Offering proceeds	19	**-**	19,977
Proceeds on issuance of share capital to Dantherm Power A/S non-controlling interests		**-**	1,360
Proceeds on issuance of convertible promissory note	19	**-**	4,000
Proceeds on issuance of debt to Dantherm Power A/S non-controlling interests	17	**-**	1,165
		18,535	16,920
Effect of exchange rate fluctuations on cash and cash equivalents held		**(254)**	136
Increase (decrease) in cash and cash equivalents		**(6,630)**	20,531
Cash and cash equivalents, beginning of period		**30,301**	9,770
Cash and cash equivalents, end of period		**$ 23,671**	$ 30,301

Supplemental disclosure of cash flow information (note 27)
Cash flows of discontinued operations (note 7)
See accompanying notes to consolidated financial statements

1. Reporting entity:

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 "commercial stage" markets of Telecom Backup Power and Material Handling, and on "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services and the license and sale of the Corporation's extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications. A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The Corporation's technology is based on proton exchange membrane ("PEM") fuel cells.

The Corporation is a company domiciled in Canada and its registered office is located at 9000 Glenlyon Parkway, Burnaby, British Columbia, Canada, V5J 5J8. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2014 comprise the Corporation and its subsidiaries (note 4(a)).

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2015.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial instruments classified as fair value through profit or loss and available-for-sale are measured at fair value;
- Derivative financial instruments are measured at fair value; and
- Employee future benefits liability is recognized as the net total of the present value of the defined benefit obligation, less the fair value of plan assets.

(c) Functional and presentation currency:

These consolidated financial statements are presented in U.S. dollars, which is the Corporation's functional currency.

2. Basis of preparation (cont'd):

(d) Use of estimates:

The preparation of the consolidated financial statements in conformity with IFRS requires the Corporation's management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas having estimation uncertainty include revenue recognition, asset impairment, warranty provision, inventory provision, employee future benefits, and income taxes. These estimates and judgments are discussed further in note 5.

(e) ure operations:

The Corporation is required to assess its ability to continue as a going concern or whether substantial doubt exists as to the Corporation's ability to continue as a going concern into the foreseeable future. The Corporation has forecast its cash flows for the foreseeable future and despite the ongoing volatility and uncertainties inherent in the business, the Corporation believes it has adequate liquidity in cash and working capital to finance its operations. The Corporation's ability to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business is dependent upon the Corporation having adequate liquidity and achieving profitable operations that are sustainable. There are various risks and uncertainties affecting the Corporation including, but not limited to, the market acceptance and rate of commercialization of the Corporation's products, the ability of the Corporation to successfully execute its business plan, and general global economic conditions, certain of which are beyond the Corporation's control.

The Corporation's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at continued focus on revenue growth, improving overall gross margins, and managing operating expenses and working capital requirements. Failure to implement this plan could have a material adverse effect on the Corporation's financial condition and or results of operations.

3. Changes in accounting policies:

The Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements, with the exception of the following new accounting standards that were issued by the IASB and adopted by the Corporation, effective January 1, 2014. Certain comparative figures have been reclassified to conform to the basis of presentation adopted in the current period.

3. Changes in accounting policies (cont'd):

(a) Amendments to IAS 32 – *Offsetting Financial Assets and Liabilities:*

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* clarifies that an entity currently has a legally enforceable right to set-off if that right is:

a) not contingent on a future event; and

b) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The adoption of the amendments to IAS 32 does not have a material impact on the consolidated financial statements.

(b) Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting:*

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* add a limited exception to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

The adoption of the amendments to IAS 39 does not have a material impact on the consolidated financial statements.

4. Significant accounting policies:

Except for the changes explained in note 3, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

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

	Percentage ownership	
	2014	2013
Ballard Fuel Cell Systems Inc.	100%	100%
Ballard Power Corporation	100%	100%
Ballard Services Inc.	100%	100%
Dantherm Power A/S	51.3%	57% - 51.3%

4. Significant accounting policies (cont'd):

(a) Basis of consolidation (cont'd):

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions are eliminated in the consolidated financial statements.

The Corporation acquired a 45% interest in Dantherm Power A/S on January 18, 2010. In August 2010, the Corporation acquired an additional 7% interest in Dantherm Power A/S and a further 5% interest in December 2012. On March 31, 2013, Azure Hydrogen Energy Science and Technology Corporation ("Azure") acquired a 10% ownership interest in Dantherm Power A/S, which reduced the Corporation's interest from 57% to 51.3%. The remaining 38.7% interest is held by Dantherm A/S. As the Corporation obtained control over Dantherm Power A/S as of the date of acquisition of the initial 45% interest, Dantherm Power A/S has been consolidated since acquisition on January 18, 2010. Acquisitions of non-controlling interest are accounted as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

On June 14, 2013, the wholly owned subsidiary Ballard Services Inc. was incorporated. Its principal business is the provision of Engineering Services for a variety of fuel cell applications.

On December 31, 2013, the wholly owned subsidiary Ballard Material Products Inc. merged with the wholly owned subsidiary Ballard Power Corporation.

(b) Foreign currency:

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Corporation and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in earnings. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of the transaction.

4. Significant accounting policies (cont'd):

(b) Foreign currency (cont'd):

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the presentation currency using exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency using exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

(c) Financial instruments:

(i) Financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated and all other financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held for trading or if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net loss.

The Corporation's short-term investments, consisting of highly liquid interest bearing securities with maturities at the date of purchase between three months and three years, are classified as held for trading.

The Corporation also periodically enters into platinum futures and foreign exchange forward contracts to limit its exposure to platinum price and foreign currency rate fluctuations. These derivatives are recognized initially at fair value and are recorded as either assets or liabilities based on their fair value. Subsequent to initial recognition, these derivatives are measured at fair value and changes to their value are recorded through net loss, unless these financial instruments are designated as hedges (note 4 (c)(iv)).

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(i) Financial assets (cont'd)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of the Corporation's trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with original maturities of three months or less and are initially measured at fair value, and subsequently measured at amortized cost, which approximates fair value due to the short-term and liquid nature of these assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Determination of fair value

The fair value of financial assets at fair value through profit or loss and available-for-sale are determined by reference to their quoted closing bid price at the reporting date if they are traded in an active market. For derivative instruments (foreign exchange forward contracts, platinum futures contracts), fair value is estimated by Management based on their listed market price or broker quotes that include adjustments to take account of the credit risk of the Corporation and the counterparty when appropriate. The fair value of loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(ii) Financial liabilities

Financial liabilities comprise the Corporation's trade and other payables. The financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value and subsequently are measured at amortized costs using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest.

(iii) Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are subsequently reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(iv) Derivative financial instruments, including hedge accounting

The Corporation periodically holds derivative financial instruments to hedge its foreign currency risk exposures that are designated as the hedging instrument in a hedge relationship.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(iv) Derivative financial instruments, including hedge accounting (cont'd)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity remains there until the forecast transaction affects profit or loss.

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(d) 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 appropriate share of production overhead based on normal operating capacity. Costs of materials are determined on an average per unit basis.

4. Significant accounting policies (cont'd):

(d) Inventories (cont'd):

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 any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which would impair the value of inventory on hand.

(e) Property, plant and equipment:

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the site on which they are located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Corporation.

(iii) Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Building	20 years
Building under finance lease	15 years
Computer equipment	3 to 7 years
Furniture and fixtures	5 to 14 years
Furniture and fixtures under finance lease	5 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 finance lease	5 years

4. Significant accounting policies (cont'd):

(e) Property, plant and equipment (cont'd):

(iii) Depreciation (cont'd)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leases

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and not recognized in the statement of financial position.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the lease expense over the term of the lease.

(g) Goodwill and intangible assets:

(i) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Research and development	Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.
Intangible assets	Intangible assets, including patents and trademarks, that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

4. Significant accounting policies (cont'd):

(g) Goodwill and intangible assets (cont'd):

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful lives for current and comparative periods are as follows:

Patents and trademarks	5 to 15 years
Development costs	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Impairment:

(i) Financial assets

Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income and presented in accumulated other comprehensive loss in equity, to net loss. The cumulative loss that is removed from other comprehensive income and recognized in net loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value less any impairment loss previously recognized in net loss. If subsequently the fair value of an impaired available-for-sale security increases, then the impairment loss is reversed, with the amount of the reversal recognized in net loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

4. Significant accounting policies (cont'd):

(h) Impairment (cont'd):

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. The allocation of goodwill to cash-generating units reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

4. Significant accounting policies (cont'd):

(i) Provisions (cont'd):

Warranty provision

A provision for warranty costs is recorded on product sales at the time the sale is recognized. In establishing the warranty provision, 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.

Decommissioning liabilities

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.

(j) Revenue recognition:

The Corporation generates revenues primarily from product sales and services, the license and sale of intellectual property, and the provision of engineering services. Product and service revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Intellectual property license and sale revenues are derived primarily from license and sale agreements and from long-term fixed price contracts. Engineering service revenue is derived primarily from cost-plus reimbursable contracts and from long-term fixed price contracts.

On standard equipment and material sales contracts, revenues are recognized when (i) significant risks and rewards of ownership of the goods has been transferred to the buyer; (ii) the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the sale will accrue to the Corporation; and (v) the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. Provisions are made at the time of sale for warranties.

On standard license and sale agreements, revenues are recognized on the transfer of rights to the licensee if: (i) the rights to the assets are assigned to the licensee in return for a fixed fee or a non-refundable guarantee; (ii) the contract is non-cancellable; (iii) the licensee is able to exploit its rights to the asset freely; and (iv) the licensor has no remaining obligations to perform. In other cases, the proceeds are considered to relate to the right to use the asset over the license period and the revenue is recognized over that period.

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

4. Significant accounting policies (cont'd):

(j) 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.

(k) Finance income and costs:

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs comprise interest expense on capital leases, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gains and losses are reported on a net basis.

(l) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the deferred 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 deferred tax asset or liability are included in income.

Deferred 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 deferred income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Significant accounting policies (cont'd):

(m) Employee benefits:

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The Corporation recognizes all remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, immediately in other comprehensive income. Remeasurements recognized in other comprehensive income are not recycled through profit or loss in subsequent periods.

4. Significant accounting policies (cont'd):

(m) Employee benefits (cont'd):

Other long-term employee benefits

The Corporation's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in other comprehensive income or loss in the period in which they arise.

Termination benefits

Termination benefits are recognized as an expense when the Corporation is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Corporation has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Share-based compensation plans:

The Corporation uses the fair-value based method of accounting for share-based compensation for all awards of shares and share options granted. The resulting compensation expense, based on the fair value of the awards granted, excluding the impact of any non-market service and performance vesting conditions, is charged to income over the period that the employees unconditionally become entitled to the award, with a corresponding increase to contributed surplus.

4. Significant accounting policies (cont'd):

(n) Share-based compensation plans (cont'd):

Fair values of share options are calculated using the Black-Scholes valuation method as of the grant date and adjusted for estimated forfeitures. For awards with graded vesting, the fair value of each tranche is calculated separately and recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. At each reporting date, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the income statement with a corresponding adjustment to contributed surplus.

The Corporation issues shares and share options under its share-based compensation plans as described in note 19. 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.

(o) Earnings (loss) per share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period, adjusted for treasury shares. 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. When the effects of outstanding stock-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated.

(p) 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 comprehensive loss, 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.

(q) Segment reporting:

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

5. Critical judgments in applying accounting policies and key sources of estimation uncertainty:

Critical judgments in applying accounting policies:

Critical judgments that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements are limited to management's assessment of the Corporation's ability to continue as a going concern (note 2(e)).

Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, income and expenses within the next fiscal year.

(a) Revenue recognition:

Revenues under certain contracts for product sales and services, the license and sale of intellectual property, and the provision of engineering services provide for receipt of payment based on achieving defined milestones or on the performance of work under product development programs. Revenues are recognized under these contracts based on management's estimate of progress achieved against these milestones or on the proportionate performance method of accounting, as appropriate. Changes in management's estimated costs to complete a contract may result in an adjustment to previously recognized revenues.

(b) Asset impairment:

The carrying amounts of the Corporation's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Corporation's most significant estimates and assumptions involve values associated with goodwill and intangible assets. These estimates and assumptions include those with respect to future cash inflows and outflows, discount rates, asset lives, and the determination of cash generating units. At least annually, the carrying value of goodwill is reviewed for impairment. Among other things, this review considers the fair value of the cash-generating units based on discounted estimated future cash flows. Intangible assets are also evaluated at least annually for indicators of potential impairment. Reviews involve significant estimation uncertainty, which could affect the Corporation's future results if the current estimates of future performance and fair values change.

5. Critical judgments in applying accounting policies and key sources of estimation uncertainty (cont'd):

(c) Warranty provision:

In establishing the warranty provision, management estimates the likelihood that products sold will experience warranty claims and the cost to resolve claims received. In making such determinations, the Corporation uses estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, the Corporation may incur costs different from those provided for in the warranty provision. Management reviews warranty assumptions and makes adjustments to the provision at each reporting date based on the latest information available, including the expiry of contractual obligations. Adjustments to the warranty provision are recorded in cost of product and service revenues.

(d) Inventory provision:

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments 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.

(e) Employee future benefits:

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Determination of benefit expense requires assumptions such as the discount rate to measure obligations, expected plan investment performance, expected healthcare cost trend rate, and retirement ages of employees. Actual results will differ from the recorded amounts based on these estimates and assumptions.

5. Critical judgments in applying accounting policies and key sources of estimation uncertainty (cont'd):

(f) Income taxes:

Deferred 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 deferred income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantive enactment date. Management reviews the deferred income tax assets at each reporting period and records adjustments to the extent that it is no longer probable that the related tax benefit will be realized.

6. Recent accounting pronouncements:

The following is an overview of accounting standard changes that the Corporation will be required to adopt in future years.

(a) IFRS 15 – *Revenue from Contracts with Customers:*

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate* , IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption. The Corporation intends to adopt IFRS 15 in its financial statements for the fiscal year beginning on January 1, 2017. The extent of the impact of adoption has not yet been determined.

(b) IFRS 9 – *Financial Instruments:*

In July 2014, the IASB issued IFRS 9 *Financial Instruments* ("IFRS 9"), which replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

6. Recent accounting pronouncements (cont'd):

(b) IFRS 9 – *Financial Instruments (cont'd):*

IFRS 9 is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The Corporation intends to adopt IFRS 9 in its financial statements for the fiscal year beginning January 1, 2018. The extent of the impact of adoption has not yet been determined.

7. Discontinued operations – Disposition of Material Products division

On January 31, 2013, the Corporation completed an agreement to sell substantially all of the assets of its Material Products division for net cash proceeds of $9,085,000 after deducting working capital adjustments, broker's commissions and expenses, and legal and other expenses.

In March 2014, the Corporation received additional proceeds of $320,000 payable through a product credit in 2014 and 2015 for fuel cell gas diffusion layers based on 2013 results of the former Material Products division. The additional proceeds payable have been recorded as a reversal of previously recorded impairment losses on property, plant and equipment, and were recorded in net earnings (loss) from discontinued operations. The Material Products division has been classified and accounted for as a discontinued operation.

Net cash proceeds is calculated as follows:

		January 31, 2013
Gross proceeds from disposition	$	10,500
Less: Purchase price adjustment		(401)
Net proceeds from disposition		10,099
Disposition costs		(1,014)
Net cash proceeds / Net disposed assets	$	9,085

The following is a final calculation of the disposed assets and liabilities:

		January 31, 2013
Trade and other receivables	$	1,811
Inventories		2,692
Prepaid expenses and other current assets		40
Property, plant and equipment		5,784
Trade and other payables		(1,242)
Net disposed assets	$	9,085

7. Discontinued operations – Disposition of Material Products division (cont'd):

Net earnings from discontinued operations are comprised of the following:

	2014	2013
Product and service revenues	$ -	$ 867
Cost of product and service revenues	-	627
Gross margin	-	240
Total operating expenses	-	(252)
Reversal of impairment loss on property, plant and equipment	320	45
Earnings before income taxes	320	33
Income tax expense		(9)
Net earnings (loss) from discontinued operations	$ 320	$ 24

Net cash flows from discontinued operations are as follows:

	2014	2013
Cash provided by operating activities	$ 320	$ 315
Cash used in investing activities	-	-
Cash provided by (used in) financing activities	-	-
Cash and cash equivalents provided by discontinued operations	$ 320	$ 315

8. Trade and other receivables:

	December 31, 2014	December 31 2013
Trade receivables	$ 11,216	$ 13,248
Other	1,930	2,442
	13,146	15,690
Less: Non-current trade receivables	-	(219)
	$ 13,146	$ 15,471

9. Inventories:

	December 31, 2014	December 31, 2013
Raw materials and consumables	$ 10,672	$ 9,157
Work-in-progress	821	3,120
Finished goods	1,045	1,810
	$ 12,538	$ 14,087

9. Inventories (cont'd):

In 2014, changes in raw materials and consumables, finished goods and work-in-progress recognized as cost of product and service revenues amounted to $22,628,000 (2013 - $18,754,000).

In 2014, the write-down of inventories to net realizable value amounted to $1,469,000 (2013 - $1,192,000). There were no reversals of previously recorded write-downs in 2014 or 2013.

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.

10. Property, plant and equipment:

Cost	December 31, 2013	Additions	Disposals	Effect of movements in exchange rates	December 31, 2014
Building under finance lease	$ 12,180	$ -	$ -	$ -	$ 12,180
Computer equipment	4,581	227	(193)	(15)	4,600
Furniture and fixtures	688	18	(7)	(14)	685
Furniture and fixtures under finance lease	317	-	-	-	317
Leasehold improvements	9,043	11	(224)	(51)	8,779
Production and test equipment	29,390	599	(669)	(12)	29,308
Production and test equipment under finance lease	3,667	-	-	-	3,667
Total	$ 59,866	$ 855	$ (1,093)	$ (92)	$ 59,536

Accumulated depreciation and impairment loss	December 31, 2013	Depreciation	Disposals	Effect of movements in exchange rates	December 31, 2014
Building under finance lease	$ 3,113	$ 812	$ -	$ -	$ 3,925
Computer equipment	4,207	157	(193)	(14)	4,157
Furniture and fixtures	652	22	(7)	(13)	654
Furniture and fixtures under finance lease	164	63	-	-	227
Leasehold improvements	5,216	612	-	(43)	5,785
Production and test equipment	25,026	1,482	(572)	(9)	25,927
Production and test equipment under finance lease	1,543	633	-	-	2,176
Total	$ 39,921	$ 3,781	$ (772)	$ (79)	$ 42,851

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

Cost	December 31, 2012	Additions	Disposals	Effect of movements in exchange rates	December 31, 2013
Building under finance lease	$ 12,180	$ -	$ -	$ -	$ 12,180
Computer equipment	5,944	16	(1,384)	5	4,581
Furniture and fixtures	755	32	(104)	5	688
Furniture and fixtures under finance lease	317	-	-	-	317
Leasehold improvements	9,179	211	(419)	72	9,043
Production and test equipment	32,107	213	(2,936)	6	29,390
Production and test equipment under finance lease	3,667	-	-	-	3,667
Total	$ 64,149	$ 472	$ (4,843)	$ 88	$ 59,866

Accumulated depreciation and impairment loss	December 31, 2012	Depreciation	Disposals	Effect of movements in exchange rates	December 31, 2013
Building under finance lease	$ 2,301	$ 812	$ -	$ -	$ 3,113
Computer equipment	5,370	171	(1,339)	5	4,207
Furniture and fixtures	720	20	(92)	4	652
Furniture and fixtures under finance lease	100	64	-	-	164
Leasehold improvements	4,890	656	(342)	12	5,216
Production and test equipment	25,552	2,290	(2,820)	4	25,026
Production and test equipment under finance lease	900	643	-	-	1,543
Total	$ 39,833	$ 4,656	$ (4,593)	$ 25	$ 39,921

Carrying amounts	December 31, 2014	December 31, 2013
Building under finance lease	$ 8,255	$ 9,067
Computer equipment	443	374
Furniture and fixtures	31	36
Furniture and fixtures under finance lease	90	153
Leasehold improvements	2,994	3,827
Production and test equipment	3,381	4,364
Production and test equipment under finance lease	1,491	2,124
Total	$ 16,685	$ 19,945

Leased assets

The Corporation leases certain assets under finance lease agreements including the Corporation's head office building in Burnaby, British Columbia and certain production and test equipment (note 16).

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

Impairment loss

There were no impairment losses or reversals of previously recorded impairment losses recognized against property, plant and equipment used for continuing operations in 2014 and 2013. However, in 2014, there was a $320,000 reversal of previously recognized impairment losses recorded against property, plant and equipment used for discontinued operations based on the additional proceeds received from the disposition of the Material Products division (2013 – $45,000) (note 7).

11. Intangible assets:

On April 24, 2014, the Corporation acquired the transportation and stationary related fuel cell intellectual property assets of United Technologies Corporation ("UTC") for total consideration of $22,306,775. The acquired assets consist of approximately 800 patents and patent applications, as well as patent licenses, invention disclosures and know-how primarily related to PEM fuel cell technology. As consideration for the acquired intellectual property assets, UTC received 5,121,507 of the Corporation's common shares valued at $20,306,775, $2,000,000 in cash, a grant back license to use the patent portfolio in UTC's existing businesses, and a portion of royalties, typically 25%, on the Corporation's future intellectual property sale or licensing income generated from the combined intellectual property portfolio for a period of 15 years to April 2029. The acquired intellectual property is being amortized over its estimated useful life of 15 years. Since the acquisition, an additional $981,000 has been incurred to prepare the intellectual property for use, which has been capitalized and is being amortized over the estimated 15 year useful life. On February 11, 2015, the Corporation entered into a transaction with Volkswagen Group ("Volkswagen") to transfer the automotive-related portion of the acquired UTC intellectual property assets to Volkswagen (note 30).

On June 29, 2014, the Corporation acquired the material handling intellectual property portfolio of H2 Logic A/S for total cash consideration of $430,000.

Intangible assets Balance	Cost	Accumulated amortization	Net carrying amount
At January 1, 2013	$ 46,329	$ 42,135	$ 4,194
Amortization expense	-	1,478	(1,478)
At December 31, 2013	46,329	43,613	2,716
Acquisition of intangible assets	23,718	-	23,718
Amortization expense	-	2,283	(2,283)
Disposals	(519)	(519)	-
At December 31, 2014	$ 69,528	$ 45,377	$ 24,151

Amortization and impairment losses of fuel cell technology and development costs are allocated to research and product development expense. In 2014, amortization of $2,283,000 (2013 - $1,478,000) was recorded. There were no impairment losses recorded in 2014 and 2013.

In 2014, patents that were fully amortized and no longer in use were written-off.

12. Goodwill:

For the purpose of impairment testing, goodwill is allocated to the Corporation's cash-generating units which represent the lowest level within the Corporation at which the goodwill is monitored for internal management purposes, which is not higher than the Corporation's operating segments (note 28).

Fuel Cell Products and Services

As of December 31, 2014 and 2013, the aggregate carrying amount of the Corporation's goodwill of $36,291,000 relates solely to the Fuel Cell Products and Services segment.

The impairment testing requires a comparison of the carrying value of the asset to the higher of (i) 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.

The Corporation's fair value test is in effect a modified market capitalization assessment, whereby the fair value of the Fuel Cell Products and Services segment is determined by first calculating the value of the Corporation at December 31, 2014 based on the average closing share price in the month of December, adding a reasonable estimated control premium of 25% to determine the Corporation's enterprise value on a controlling basis after adjusting for excess cash balances, and deducting the estimated costs to sell from this enterprise value, arriving at the fair value of the Fuel Cell Products and Services segment. Based on the fair value test, the Corporation has determined that the fair value of the Fuel Cell Products and Services segment exceeds its carrying value by a significant amount as of December 31, 2014.

In addition to the fair value test, the Corporation also performed a value in use test on the Fuel Cell Products and Services segment, comparing the carrying value of the segment to the present value of future cash flows expected to be derived from the segment. The principal factors used in the discounted cash flow analysis requiring significant estimation are the projected results of operations, the discount rate based on the weighted average cost of capital ("WACC"), and terminal value assumptions. The Corporation's value in use test was based on a WACC of 15%; an average estimated compound annual growth rate of approximately 27% from 2014 to 2019; and a terminal year earnings before interest, taxes, depreciation and amortization ("EBITDA") multiplied by a terminal value multiplier of 10.0. The value in use assessment resulted in an estimated fair value for the Fuel Cell Products and Services segment that is consistent with that determined under the fair value, less costs to sell, assessment.

As the recoverable amount of the Fuel Cell Products and Services segment was determined to be greater than its carrying amount, no impairment loss was recorded in 2014.

13. Bank facilities:

The Corporation has certain bank facilities available to it, which are secured by a hypothecation of the Corporation's cash and cash equivalents.

Bank Operating Line

The Corporation has a demand revolving facility ("Bank Operating Line") in which an operating line of credit of up to CDN $7,000,000 is made available to be drawn upon by the Corporation. The Bank Operating Line can be utilized to assist in financing the day-to-day operating activities and short-term working capital requirements of the business. Outstanding amounts are charged interest at the bank's prime rate minus 0.50% per annum and are repayable on demand by the bank.

There was no activity under the Bank Operating Line in 2014, and there were no outstanding amounts payable on the Bank Operating Line as of December 31, 2014 and 2013.

During 2013, the Corporation was advanced $334,000 under the Bank Operating Line and repayments of $9,087,000 were made during the year. The Corporation also benefited from foreign exchange gains of $605,000 as the Bank Operating Line was denominated in Canadian dollars in 2013.

Leasing Facility

The Corporation also has a CDN $1,830,770 capital leasing facility ("Leasing Facility") which can be utilized to finance the acquisition and lease of operating equipment (notes 10 & 16). Interest is charged on outstanding amounts at the bank's prime rate per annum and is repayable on demand by the bank in the event of certain conditions.

At December 31, 2014, $1,061,000 (2013 - $1,772,000) was outstanding on the Leasing Facility which is included in the finance lease liability. The remaining $9,173,000 (2013 - $10,399,000) finance lease liability relates to the lease of the Corporation's head office building.

Forward Contract Facility

The Corporation also has a CDN $5,000,000 demand revolving line ("Forward Contract Facility"), which is available for use when the Corporation purchases forward foreign exchange contracts or forward platinum contracts used to hedge against currency and platinum price fluctuations, respectively.

At December 31, 2014, CDN $159,000 ($137,000) was outstanding under the Forward Contract Facility relating to outstanding forward platinum contracts. There were no forward contracts outstanding as of December 31, 2013.

14. Trade and other payables:

	December 31, 2014	December 31, 2013
Trade accounts payable	$ 6,031	$ 2,154
Compensation payable	2,948	5,133
Other liabilities	3,260	3,819
Taxes payable	317	378
	$ 12,556	$ 11,484

15. Provisions:

Balance	Restructuring	Warranty provision	Decommissioning liabilities	Total
At January 1, 2013	$ 922	$ 8,501	$ 5,089	$ 14,512
Provisions made during the year	596	1,219	97	1,912
Provisions used during the year	(1,213)	(1,076)	-	(2,289)
Provisions reversed during the year	(41)	(1,563)	-	(1,604)
Effect of movements in exchange rates	(27)	(499)	(329)	(855)
At December 31, 2013	237	6,582	4,857	11,676
Provisions made during the year	78	6,258	129	6,465
Provisions used during the year	(226)	(1,562)	-	(1,788)
Provisions reversed during the year	-	(1,843)	(222)	(2,065)
Effect of movements in exchange rates	(11)	(503)	(411)	(925)
At December 31, 2014	$ 78	$ 8,932	$ 4,353	$ 13,363
Current	$ 78	$ 8,932	$ -	$ 9,010
Non-current	-	-	4,353	4,353
	$ 78	$ 8,932	$ 4,353	$ 13,363

Restructuring

Restructuring charges relate to minor restructurings focused on overhead cost reductions and relate primarily to employee termination benefits. Restructuring charges are recognized in other expense (note 23).

Warranty provision

During 2014, warranty provisions of $6,258,000 including warranty adjustments were recorded due to new product sales and an increase in customer service related expenses in the Corporation's Telecom Backup Power market in Asia. Warranty provisions of $1,219,000 including warranty adjustments recorded in 2013 related primarily to new product sales. The warranty provisions were partially offset by warranty expenditures of $1,562,000 (2013 – $1,076,000) and a downward warranty adjustment of $1,843,000 (2013 – $1,563,000) due primarily to contractual warranty expirations and improved lifetimes and reliability of the Corporation's fuel cell products. The effect of movements in exchange rates resulted in the remaining $503,000 reduction to the warranty provision (2013 – $499,000).

15. Provisions (cont'd):

Decommissioning liabilities

Provisions for decommissioning liabilities have been recorded for the Corporation's two leased locations in Burnaby, British Columbia, comprising the Corporation's head office building and manufacturing facilities, and are related to site restoration obligations at the end of their respective lease terms. The Corporation has made certain modifications to the leased buildings to facilitate the manufacturing and testing of its fuel cell products. Consequently, the site restoration obligations relate primarily to dismantling and removing various manufacturing and test equipment and restoring the infrastructures of the leased buildings to their original states of when the respective leases were entered.

Due to the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The Corporation has determined a range of reasonably possible outcomes of the total costs for the head office building and manufacturing facility. In determining the fair value of the decommissioning liabilities, the estimated future cash flows have been discounted at 2% per annum.

The Corporation performed an assessment of the estimated cash flows required to settle the obligations for the two buildings as of December 31, 2014. Based on the assessment, a $222,000 reduction of the provision was recorded against decommissioning liabilities, which was offset in part by accretion costs of $129,000. The total undiscounted amount of the estimated cash flows required to settle the obligation for one of the buildings is $1,979,000, which is expected to be settled at the end of the lease term in 2025. The total undiscounted amount of the estimated cash flows required to settle the obligation for the second building is $3,226,000, which is expected to be settled at the end of the operating lease term of 2019.

16. Finance lease liability:

The Corporation leases certain assets under finance lease agreements (note 10). In 2014, a finance lease agreement scheduled to expire in December 2014 was extended to December 2016. The finance leases have imputed interest rates ranging from 3.00% to 7.35% per annum and expire between June 2016 and February 2025.

Finance lease liabilities are payable as follows:

At December 31, 2014	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 1,680	$ 672	$ 1,008
Between one and five years	5,423	2,144	3,279
More than five years	7,145	1,198	5,947
	$ 14,248	$ 4,014	$ 10,234

16. Finance lease liability (cont'd):

Finance lease liabilities are payable as follows:

At December 31, 2013	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 2,179	$ 780	$ 1,399
Between one and five years	6,034	2,558	3,476
More than five years	9,105	1,809	7,296
	$ 17,318	$ 5,147	$ 12,171

At December 31, 2014, $1,061,000 was outstanding on the Leasing Facility which is included in the finance lease liability. The remaining $9,173,000 finance lease liability relates to the lease of the Corporation's head office building.

Deferred gains were also recorded on closing of the finance lease agreements and are amortized over the finance lease term. At December 31, 2014, the outstanding deferred gain was $4,274,000 (2013 – $4,734,000).

17. Debt to Dantherm Power A/S non-controlling interests:

Dantherm Power has received financing from the non-controlling partners in the form of a revolving credit facility and convertible debentures.

Revolving credit facility

The revolving credit facility makes available a revolving facility to Dantherm Power of a maximum aggregate amount of DKK 2,977,975 ($484,000) from the non-controlling partner, Dantherm A/S. Interest is accrued at 6% and the facility matures on December 31, 2014. In February 2014, the subscribers of the facility approved the extension of the maturity date to December 31, 2015. In February 2015, a further extension to a maturity date of December 31, 2016 was approved by the subscribers of the facility (note 30).

At December 31, 2014, the revolving credit facility outstanding was $529,000 (2013 – $566,000), which includes $45,000 (2013 – $16,000) of interest payable.

Convertible debentures

The convertible debenture is redeemable at the option of Dantherm Power subject to approval by all convertible debenture holders on or after January 1, 2013 including interest which is accrued at 12%. Prior to the maturity date, the convertible debenture holders may elect to convert all or part of the debenture into shares of Dantherm Power. The convertible debentures were issued with a conversion price of either DKK 3.40 or DKK 0.14. This conversion feature was determined to have a nominal value.

17. Debt to Dantherm Power A/S non-controlling interests (cont'd):

Convertible debentures (cont'd)

On March 31, 2013, an additional $640,000 of convertible debt financing was advanced to Dantherm Power by Azure, a new non-controlling partner (note 4(a)). The issued convertible debenture notes totaling approximately DKK 3,733,000 ($607,000) were comprised of a note for DKK 2,400,000 ($390,000) with a conversion price of DKK 3.40 ($0.55) and a note for DKK 1,333,000 ($217,000) with a conversion price of DKK 0.14 ($0.02) and have a maturity date of December 31, 2014.

In November 2013, the convertible debenture holders elected to convert the entire outstanding convertible debt including interest into shares of Dantherm Power. The non-controlling interests in Dantherm Power held DKK 19,464,000 ($3,544,000) of convertible debt including interest, which was converted into 48 shares in Dantherm Power. Upon conversion, the convertible debt amount was reclassified to non-controlling interests in equity. Ballard continues to hold a 51.3% interest in Dantherm Power, as the conversion did not impact the respective ownership interests.

No convertible debt was outstanding as of December 31, 2014 and 2013.

18. Employee future benefits:

	December 31, 2014	December 31, 2013
Net defined benefit pension plan liability	$ 5,701	$ 3,036
Net other post-retirement benefit plan liability	260	133
Employee future benefits	$ 5,961	$ 3,169

The Corporation maintains a defined benefit pension plan covering existing and former 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. Certain employees in the United States are also eligible for post-retirement healthcare, life insurance, and other benefits.

The Corporation accrues the present value of its obligations under employee future benefit plans and related costs, net of the present value of plan assets.

The measurement date used to determine pension and other post-retirement benefit obligations and expense 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, 2014. The next actuarial valuation of the employee future benefit plans for funding purposes is expected to be performed as of January 1, 2015.

The Corporation expects contributions of approximately $325,000 to be paid to its defined benefit plans in 2015.

18. Employee future benefits (cont'd):

The following tables reconcile the opening balances to the closing balances for the net defined benefit liability and its components for the two plans. The expense recognized in net income is recorded in finance income (loss) and other.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Defined benefit pension plan	**2014**	2013	**2014**	2013	**2014**	2013
Balance at January 1	**$ 13,703**	$ 14,652	**$ (10,667)**	$ (9,344)	**$ 3,036**	$ 5,308
Included in profit or loss						
Current service cost	**38**	50	**-**	-	**38**	50
Interest cost (income)	**654**	558	**(512)**	(355)	**142**	203
Benefits payable	**-**	25	**-**	-	**-**	25
	692	633	**(512)**	(355)	**180**	278
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**830**	704	**-**	-	**830**	704
Financial assumptions	**1,462**	(2,027)	**-**	-	**1,462**	(2,027)
Experience adjustment	**108**	256	**-**	-	**108**	256
Return on plan assets excluding interest income	**-**	-	**325**	(1,088)	**325**	(1,088)
Plan expenses	**(57)**	(36)	**57**	36	**-**	-
	2,343	(1,103)	**382**	(1,052)	**2,725**	(2,155)
Other						
Contributions paid by the employer	**-**	-	**(240)**	(395)	**(240)**	(395)
Benefits paid	**(571)**	(479)	**571**	479	**-**	-
	(571)	(479)	**331**	84	**(240)**	(395)
Balance at December 31	**$ 16,167**	$ 13,703	**$ (10,466)**	$ (10,667)	**$ 5,701**	$ 3,036

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Other post-retirement benefit plan	**2014**	2013	**2014**	2013	**2014**	2013
Balance at January 1	**$ 133**	$ 853	**$ -**	$ -	**$ 133**	$ 853
Included in profit or loss						
Interest cost (income)	**2**	4	**-**	-	**2**	4
	2	4	**-**	-	**2**	4
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**144**	3	**-**	-	**144**	3
Experience adjustment	**(6)**	(1)	**-**	-	**(6)**	(1)
Curtailment	**-**	(699)	**-**	-	**-**	(699)
	138	(697)	**-**	-	**138**	(697)
Other						
Contributions paid by the employer	**-**	-	**(13)**	(27)	**(13)**	(27)
Benefits paid	**(13)**	(27)	**13**	27	**-**	-
	(13)	(27)	**-**	-	**(13)**	(27)
Balance at December 31	**$ 260**	$ 133	**$ -**	$ -	**$ 260**	$ 133

18. Employee future benefits (cont'd):

Pension plan assets comprise:

	2014	2013
Cash and cash equivalents	1%	5%
Equity securities	22%	20%
Debt securities	77%	75%
Total	100%	100%

The significant actuarial assumptions adopted in measuring the fair value of benefit obligations at December 31 were as follows:

	2014		2013	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.18%	3.53%	4.87%	2.03%
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 were as follows:

	2014		2013	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.87%	2.03%	3.87%	3.02%
Rate of compensation increase	n/a	n/a	n/a	n/a

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

	2014	2013
Initial medical health care cost trend rate	7.0%	7.5%
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	2018	2018
Year that the dental rate reaches the rate it is assumed to remain at	2013	2013

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

19. Equity:

(a) Share capital:

Authorized and issued:

Unlimited number of common shares, voting, without par value.
Unlimited number of preferred shares, issuable in series.

19. Equity (cont'd):

(a) Share capital (cont'd):

Acquisition of intangible assets:

On April 24, 2014, the Corporation issued 5,121,507 of its common shares valued at $20,306,775 to UTC as part of the consideration for acquired intellectual property assets (note 11).

Offerings:

On March 26, 2013, the Corporation closed an underwritten offering ("March Offering") of 7,275,000 units at a price of $1.10 per unit for gross March Offering proceeds of $8,003,000. Each unit in the March Offering was comprised of one common share and one warrant to purchase one common share. Each warrant is exercisable immediately upon issuance having a 5 year term and an exercise price of $1.50 per share. Net proceeds from the March Offering were $6,839,000 after deducting underwriting discounts, commissions, and other offering expenses, legal and accounting fees, and previously incurred costs related to the 2012 base shelf prospectus under which the units were issued.

Gross March Offering proceeds (7,275,000 shares at $1.10 per share)	$	8,003
Less: Underwriting expenses		(642)
Less: Other financing expenses		(522)
Net March Offering proceeds	$	6,839

On October 9, 2013, the Corporation closed another underwritten offering ("October Offering"), which was comprised of 10,350,000 units at a price of $1.40 per unit for gross October Offering proceeds of $14,490,000. Each unit in the October Offering was comprised of one common share and 0.25 of a warrant to purchase one common share. Each whole warrant is exercisable immediately upon issuance, having a 5 year term and an exercise price of $2.00 per share. Net proceeds from the October Offering were $13,138,000, after deducting underwriting discounts, commissions, and other estimated offering expenses.

Gross October Offering proceeds (10,350,000 shares at $1.40 per share)	$	14,490
Less: Underwriting expenses		(1,017)
Less: Other financing expenses		(335)
Net October Offering proceeds	$	13,138

At December 31, 2014, 132,104,116 common shares were issued and outstanding (2013 – 110,133,901).

19. Equity (cont'd):

(b) Share purchase warrants:

On April 24, 2014, the Corporation issued 5,121,507 of its common shares valued at $20,306,775 to UTC as part of the consideration for acquired intellectual property assets (note 11).

Warrants Outstanding	Exercise price of $1.50	Exercise price of $2.00	Total Warrants
At January 1, 2013	-	-	-
Warrants issued (March Offering)	7,275,000	-	7,275,000
Warrants issued (October Offering)	-	2,587,500	2,587,500
At December 31, 2013	7,275,000	2,587,500	9,862,500
Warrants exercised	(7,027,437)	(912,500)	(7,939,937)
At December 31, 2014	247,563	1,675,000	1,922,563

In 2014, 7,939,937 warrants were exercised for net proceeds of $12,299,000.

At December 31, 2014, 1,922,563 share purchase warrants were issued and outstanding (2013 – 9,862,500).

(c) Convertible promissory note:

On March 28, 2013, the Corporation completed an agreement with Anglo American Platinum Limited ("Anglo"), under which Anglo invested $4,000,000 in the Corporation through its Platinum Group Metals Development Fund, to support continued development and commercial advancement of the Corporation's fuel cell products in target market applications. The investment took the form of a 5-year non-interest bearing convertible promissory note ("Note"). The Note may be repaid in the form of the Corporation's common shares at Anglo's option on or before the loan maturity date of April 1, 2018. The conversion, or repayment price, was set at a fixed price of $0.84 per share which was equal to a 20% discount to the market price of the shares on the closing date of the agreement.

In March 2014, Anglo exercised its option and converted the Note into 4,761,905 common shares. The conversion right and $4,000,000 proceeds received in 2013 were accounted for as a single equity instrument and originally recorded in contributed surplus, which has been reclassified to share capital upon the issuance of the common shares in March 2014.

(d) Share options:

The Corporation has options outstanding under a consolidated share option plan. All directors, officers and employees of the Corporation, and its subsidiaries, are eligible to participate in the share option plans 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.

19. Equity (cont'd):

(d) Share options (cont'd):

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, 2014, options outstanding from the consolidated share option plan was as follows:

Balance	Options for common shares	Weighted average exercise price
At January 1, 2013	6,905,051	$ 3.22
Options granted	1,081,250	1.15
Options exercised	(140,533)	1.06
Options forfeited	(702,866)	2.97
Options expired	(170,800)	13.43
At December 31, 2013	6,972,102	2.54
Options granted	1,417,507	3.25
Options exercised	(3,563,782)	1.83
Options forfeited	(153,236)	2.73
Options expired	(356,164)	7.42
At December 31, 2014	4,316,427	$ 2.65

The following table summarizes information about the Corporation's share options outstanding as at December 31, 2014:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.70 – $1.22	1,025,431	5.0	$ 1.05	308,396	$ 1.04
$ 1.46 – $1.81	925,771	3.4	1.65	687,834	1.71
$ 2.07 – $3.45	1,645,141	5.5	3.05	316,134	2.20
$ 3.59 – $5.00	326,284	0.3	4.15	326,284	4.15
$ 6.10 – $6.53	393,800	0.8	6.23	393,800	6.23
	4,316,427	4.1	$ 2.65	2,032,448	$ 2.95

During 2014, 3,563,782 options were exercised for proceeds of $6,794,000 (2013 – 140,533 options and $153,000 of proceeds).

During 2014, options to purchase 1,417,507 common shares were granted with a weighted average fair value of $1.74 (2013 – 1,081,250 options and $0.63 fair value). The granted options vest annually over three years.

19. Equity (cont'd):

(d) Share options (cont'd):

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

	2014	2013
Expected life	4 years	5 years
Expected dividends	Nil	Nil
Expected volatility	69%	63%
Risk-free interest rate	1%	1%

As at December 31, 2014, options to purchase 4,316,427 common shares were outstanding (2013 – 6,972,102). During 2014, compensation expense of $1,471,000 (2013 – $874,000) was recorded in net income based on the grant date fair value of the awards recognized over the vesting period.

(e) Share distribution plan:

The Corporation has a consolidated share distribution plan that 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, 2014, there were 7,334,927 (2013 – 2,322,539) shares available to be issued under this plan.

No compensation expense was recorded against income during the years ended December 31, 2014 and 2013 for shares distributed, and to be distributed, under the plan.

(f) 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.

Balance	DSUs for common shares
At January 1, 2013	450,245
DSUs granted	208,972
DSUs exercised	(42,953)
At December 31, 2013	616,264
DSUs granted	295,579
At December 31, 2014	911,843

19. Equity (cont'd):

(f) Deferred share units (cont'd):

During 2014, 295,579 DSUs were issued and $306,000 of compensation expense was recorded in net income relating to 96,269 DSUs granted during the year. For the remaining 199,310 DSUs granted during the year, estimated compensation expense of $737,000 was recorded in net income in 2013. Upon the issuance of the 199,310 DSUs in 2014, an $18,000 adjustment increasing net income was recorded.

During 2013, $1,040,000 of compensation expense was recorded in net income, of which $303,000 related to DSUs granted during the year. The remaining $737,000 related to compensation expense expected to be earned for DSUs not yet issued.

As at December 31, 2014, 911,843 deferred share units were outstanding (2013 – 616,264).

(g) 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 19(e)) 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. No common shares were repurchased in 2014 and 2013. The Corporation held 65,441 shares as treasury shares as of December 31, 2013. In March 2014, the Corporation sold its remaining 65,441 treasury shares as no RSUs remained outstanding under the market purchase RSU plan. As of December 31, 2014, the Corporation held no treasury shares.

	RSUs for common shares		
Balance	Share Distribution Plan	Market Purchase Plan	Total RSUs
At January 1, 2013	1,985,308	852,399	2,837,707
RSUs granted	-	1,327,266	1,327,266
RSUs exercised	(920,789)	(208,698)	(1,129,487)
RSUs forfeited	(277,227)	(334,731)	(611,958)
RSUs transferred	1,612,430	(1,612,430)	-
At December 31, 2013	2,399,722	23,806	2,423,528
RSUs granted	588,372	-	588,372
RSUs exercised	(1,022,658)	-	(1,022,658)
RSUs forfeited	(41,453)	(23,806)	(65,259)
At December 31, 2014	1,923,983	-	1,923,983

19. Equity (cont'd):

(g) Restricted share units (cont'd):

In September 2013, 1,612,430 unvested RSUs previously granted under the Market Purchase Plan were cancelled and new RSUs were reissued from the Share Distribution Plan with identical terms.

During 2014, 588,372 RSUs were issued (2013 – 1,327,266). The fair value of RSU grants is measured based on the stock price of the shares underlying the RSU on the date of grant. During 2014, compensation expense of $490,000 (2013 - $1,861,000) was recorded against income.

As at December 31, 2014, 1,923,983 RSUs were outstanding (2013 – 2,423,528).

20. Operating leases:

The Corporation leases a facility at its Burnaby, Canada location, which has been assessed as an operating lease. The facility has a lease term expiring in 2019, with renewal options after that date. During 2014, lease payments of $2,321,000 were expensed (2013 - $2,434,000).

At December 31, 2014, the Corporation is committed to payments under operating leases as follows:

Less than 1 year	$	2,358
1-3 years		4,895
4-5 years		4,291
Thereafter		2,796
Total minimum lease payments	$	14,340

21. Commitments and contingencies:

In connection with the acquisition of intellectual property from UTC in April 2014 (note 11), the Corporation retains a royalty obligation to pay UTC a portion (typically 25%) of any future intellectual property sale and licensing income generated from our intellectual property portfolio for a period of 15 years expiring in April 2029.

Prior to January 15, 2013, the Corporation had previous funding obligations that were repayable through potential royalties in respect of sales of certain fuel cell-based stationary power products under a development program with the Canadian government agency, Technology Partnerships Canada ("TPC"). Under the terms of the Utilities Development Program, total royalties were payable annually at 4% of revenue of such products and limited to a total maximum repayment of CDN $38,329,000. On January 15, 2013, the Corporation reached an agreement with TPC to terminate the Corporation's obligation for all existing and future potential royalties payable in respect of future sales of fuel cell based stationary power products under the Utilities Development Program in exchange for a final repayment to TPC of CDN $1,930,000; the settlement was paid in full in 2013. Prior to the settlement, the Corporation had made cumulative royalty repayments totalling CDN$5,320,000 under the Utilities Development Program.

21. Commitments and contingencies (cont'd):

The Corporation retains a previous funding obligation to pay royalties of 2% of revenues, to a maximum of $4,613,000 (CDN $5,351,000), on sales of certain fuel cell products for commercial distributed utility applications. As of December 31, 2014, no royalties have been incurred to date for this agreement.

The Corporation also retains a previous funding obligation to pay royalties of 2% of revenues, to a maximum of $1,896,000 (CDN $2,200,000), on sales of certain fuel cell products for commercial transit applications. As of December 31, 2014, no royalties have been incurred to date for this agreement.

On December 31, 2008, the Corporation completed a restructuring transaction with Superior Plus Income Fund ("Superior Plus"), which included an indemnification agreement (the "Indemnity Agreement"), which sets out each party's continuing obligations to the other. The Indemnity Agreement provides for the indemnification of each party by 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 $6,336,000 (CDN $7,350,000) with a threshold amount of $431,000 (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, 2014, no amount payable or receivable has been accrued as a result of the Indemnity Agreement.

At December 31, 2014, the Corporation has outstanding commitments aggregating up to a maximum of $232,000 (2013 - $3,000) relating primarily to purchases of property, plant and equipment.

22. Personnel expenses:

Personnel expenses are included in cost of product and service revenues, research and product development expense, general and administrative expense, sales and marketing expense, and other expense.

	December 31, 2014	December 31, 2013
Salaries and employee benefits	$ 47,993	$ 47,339
Share-based compensation (note 19)	2,249	3,775
	$ 50,242	$ 51,114

23. Other expense:

	December 31, 2014	December 31, 2013
Impairment loss on trade receivables (notes 8 and 29)	$ 6,206	$ 222
Restructuring costs (note 15)	85	568
Acquisition costs	-	78
	$ 6,291	$ 868

In 2014, impairment loss on trade receivables consists of a $4,415,000 impairment charge as a result of material breaches by Azure Hydrogen Energy Science and Technology ("Azure") relating to the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement. The Corporation also incurred impairment charges of $1,791,000 relating to the non-collection of certain trade receivables outstanding from certain customers primarily located in Asia. In the event that the Corporation recovers any amounts previously recorded as impairment losses, the recovered amount will be recognized as a reversal of the impairment loss in the period of recovery.

24. Finance income and expense:

	2014	2013
Investment income	$ 139	$ 141
Settlement of TPC funding obligation (note 21)	-	(1,197)
Employee future benefit plan expense (note 18)	(183)	(282)
Employee future benefit plan administration costs	(100)	(61)
Foreign exchange gain	31	1,553
Finance income (loss) and other	$ (113)	$ 154
Finance expense	$ (942)	$ (1,486)

On January 15, 2013, the Corporation reached an agreement with Technology Partnerships Canada ("TPC") to terminate all existing and future potential royalties payable in respect of future sales of fuel cell based stationary power products under the Utilities Development Program (Phase 2) in exchange for a final repayment to TPC of CDN $1,930,000, payable in four quarterly installments in 2013. On settlement with TPC, the Corporation recorded a charge of $1,197,000 (CDN $1,209,000) to finance income (loss) and other, representing the excess of the settlement amount of CDN $1,930,000 over royalty amounts previously accrued as of the date of settlement of CDN $721,000. As of December 31, 2014, the settlement was fully paid and no liability remained outstanding.

25. Income taxes:

(a) Current tax expense:

The components of income tax benefit / (expense) included in the determination of the profit (loss) from continuing operations comprise of:

		2014		2013
Current tax expense				
Current period income tax	$	-	$	-
Withholding tax		457		508
Adjustment for prior periods		(40)		(23)
Total current tax expense	$	417	$	485
Deferred tax expense				
Origination and reversal of temporary differences	$	(947)	$	1,348
Adjustments for prior periods		(536)		(416)
Change in unrecognized deductible temporary differences		1,483		(932)
Total deferred tax expense	$	-	$	-
Total income tax expense	$	417	$	485

The Corporation's effective income tax rate differs from the combined Canadian federal and provincial statutory income tax rate for companies. The principal factors causing the difference are as follows:

		2014		2013
Net loss before income taxes	$	(29,331)	$	(21,239)
Expected tax expense (recovery) at 26.00% (2013 – 25.75%)	$	(7,626)	$	(5,469)
Increase (reduction) in income taxes resulting from:				
Non-deductible portion of capital loss		-		1,106
Non-deductible expenses (non-taxable income)		813		(3,692)
Expiry of losses and investment tax credits		2,800		8,236
Investment tax credits earned		(4,084)		(2,640)
Foreign tax rate differences		113		77
Change in unrecognized deductible temporary differences		8,401		2,867
Income taxes	$	417	$	485

(b) Unrecognized deferred tax liabilities:

At December 31, 2014, the Corporation did not recognize any deferred tax liabilities resulting from taxable temporary differences for financial statement and income tax purposes.

25. Income taxes (cont'd):

(c) Unrecognized deferred tax asset:

At December 31, 2014, the Corporation did not have any deferred tax assets resulting from the following deductible temporary differences for financial statement and income tax purposes.

	2014	2013
Scientific research expenditures	$ 66,943	$ 58,347
Accrued warranty provision	25,830	25,899
Share issuance costs	1,826	2,276
Losses from operations carried forward	89,176	91,136
Investment tax credits	26,637	23,596
Property, plant and equipment and intangible assets	189,123	200,015
	$ 399,535	$ 401,269

Deferred tax assets have not been recognized in respect of these deductible temporary differences because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits.

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

	2014	2013
Canadian scientific research expenditures	$ 66,943	$ 58,347
Canadian losses from operations	39,758	41,685
Canadian investment tax credits	26,637	23,595
German losses from operations for corporate tax purposes	303	303
U.S. federal losses from operations	13,023	13,140
U.S. state losses from operations	-	1,702
Denmark losses from operations	35,973	34,306

The Canadian scientific research expenditures may be carried forward indefinitely. The Canadian losses from operations may be used to offset future Canadian taxable income and expire over the period from 2029 to 2034.

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 2018 to 2034. 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.

25. Income taxes (cont'd):

(c) Unrecognized deferred tax asset (cont'd):

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

2016	$	82
2017		90
2019		2,069
2020		1,651
2021		1,555
2022		1,248
2023		1,177
2024		1,754
2029		4,085
2030		2,797
2031		2,600
2032		2,261
2033		2,120
2034		3,148
	$	26,637

26. Related party transactions:

Related parties include shareholders with a significant ownership interest in either the Corporation or Dantherm Power, together with their subsidiaries and affiliates. The revenue 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. Transactions between the Corporation and its subsidiaries are eliminated on consolidation.

Balances with related parties:	2014	2013
Trade payables	$ 70	$ 139
Interest payable (note 17)	45	16
Revolving credit facility (note 17)	484	550

Transactions during the year with related parties:	2014	2013
Purchases	$ 175	$ 185
Finance expense	34	322

The Corporation provides key management personnel, being board directors and executive officers, certain benefits, in addition to their salaries. Key management personnel also participate in the Corporation's share-based compensation plans (note 19).

26. Related party transactions (cont'd):

In addition to cash and equity compensation, the Corporation provides the executive officers with certain personal benefits, including car allowance, medical benefit program, long and short-term disability coverage, life insurance and an annual medical and financial planning allowance.

In accordance with the employment agreements of the executive officers, the Corporation is required to provide notice of 12 months plus one month for every year of employment completed with the Corporation, to a maximum of 24 months, or payment in lieu of such notice, consisting of the salary, bonus and other benefits that would have been earned during such notice period. If there is a change of control, and if the executive officer's employment is terminated, including a constructive dismissal, within 2 years following the date of a change of control, the executive officer is entitled to a payment equivalent to payment in lieu of a 24 month notice period.

Key management personnel compensation is comprised of:

	2014	2013
Salaries and employee benefits	$ 2,348	$ 1,700
Post-employment retirement benefits	60	46
Termination benefits	-	-
Share-based compensation (note 19)	926	2,543
	$ 3,334	$ 4,289

27. Supplemental disclosure of cash flow information:

Non-cash financing and investing activities:	2014	2013
Compensatory shares	$ 866	$ 738
Shares issued for acquisition of intangible assets (notes 11 and 19)	$ 20,307	$ -

28. Operating segments:

The Corporation operates in a single segment, Fuel Cell Products and Services, which consists of the sale and service of fuel cell products for "commercial stage" markets of Telecom Backup Power and Material Handling, and for "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services and the license and sale of the Corporation's extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

As a result of the disposition of the Material Products division on January 31, 2013, the former Material Products segment has been classified as discontinued operations and therefore has been removed from the continuing operating results (note 7). The former Material Products segment sold carbon fiber products primarily for automotive transmissions and gas diffusion layers ("GDL") for fuel cells.

28. Operating segments (cont'd):

In 2014, revenues from the Fuel Cell Products and Services segment included sales to three individual customers of $22,632,000, $13,918,000, and $9,082,000, respectively, which exceeded 10% of total revenue.

In 2013, revenues from the Fuel Cell Products and Services segment included sales to four individual customers of $14,274,000, $13,038,000, $6,369,000, and $6,354,000, respectively, which exceeded 10% of total revenue.

Revenues from continuing operations by geographic area, which are attributed to countries based on customer location for the years ended December 31, is as follows:

Revenues	2014	2013
Canada	$ 2,869	$ 4,580
U.S.	15,989	8,816
Belgium	-	3,848
China	17,484	15,123
Denmark	1,229	799
Germany	23,495	14,407
Japan	2,797	6,801
South Africa	-	1,356
Other countries	4,858	5,521
	$ 68,721	$ 61,251

Non-current assets by geographic area are as follows:

Non-current assets	December 31, 2014	December 31, 2013
Canada	$ 76,447	$ 57,857
U.S.	350	391
Denmark	50	688
Mexico	453	567
	$ 77,300	$ 59,503

29. Financial instruments:

(a) Fair value:

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables, investments, trade and other payables, and finance lease liability. The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying values because of the short-term nature of these instruments. The Corporation's investments (note 29(b)) are not actively traded, therefore management estimates fair value using valuation techniques that require inputs that are unobservable, including inputs made available by its investees (i.e. Level 3 of the fair value hierarchy). The interest rates applied to the finance lease liability are not considered to be materially different from market rates, thus the carrying value of the finance lease liability approximates fair value.

29. Financial instruments (cont'd):

(a) Fair value (cont'd):

Fair value measurements recognized in the statement of financial position 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 are observable 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 observable market data (unobservable inputs).

(b) Investments:

Investments are comprised of the following:

	December 31, 2014		December 31, 2013	
	Amount	Percentage ownership	Amount	Percentage ownership
Chrysalix Energy Limited Partnership	$ -	0%	$ 150	15.0%
Other	6		7	
	$ 6		$ 157	

The Corporation's 15% ownership share in Chrysalix Energy Limited Partnership ("Chrysalix") was accounted for as an available-for-sale financial asset and recorded at fair value.

In 2013, the Corporation recorded an impairment loss of $513,000 to adjust the carrying value of Chrysalix to its estimated net realizable value of $150,000.

In March 2014, the Corporation recorded a further impairment loss of $150,000 as it wrote-off the remaining value of Chrysalix to its estimated net realizable value of $nil. On June 30, 2014, the operations of Chrysalix were formally terminated and the company was dissolved. A nominal $1,000 final cash distribution was received upon dissolution, which was recorded against the previously recognized impairment loss, resulting in a net impairment loss of $149,000 recognized during 2014.

(c) Financial risk management:

The Corporation primarily has exposure to foreign currency exchange rate risk, commodity risk, interest rate risk, and credit risk.

29. Financial instruments (cont'd):

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

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of deferred 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 purchases and accounts payable. Substantially all receivables 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, 2014, the Corporation held Canadian dollar denominated cash and cash equivalents of CDN $16,366,000 and had no outstanding forward foreign exchange contracts.

The following exchange rates applied during the year ended December 31, 2014:

	$U.S. to $1.00 CDN	$CDN to $1.00 U.S.
January 1, 2014 Opening rate	$ 0.940	$ 1.064
December 31, 2014 Closing rate	$ 0.862	$ 1.160
Fiscal 2014 Average rate	$ 0.906	$ 1.105

Based on cash and cash equivalents held at December 31, 2014, 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 $1,411,000 recorded against net income.

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.

Commodity risk

Commodity risk is the risk of financial loss due to fluctuations in commodity prices, in particular, for the price of platinum and palladium, which are key components of the Corporation's fuel cell products. Platinum and palladium are scarce natural resources and therefore the Corporation is dependent upon a sufficient supply of these commodities. To manage its exposure to commodity price fluctuations, the Corporation may include platinum and or palladium pricing adjustments directly into certain significant customer contracts, and may also periodically enter into platinum and or palladium forward contracts. At December 31, 2014, CDN $159,000 ($137,000) was outstanding under the Forward Contract Facility relating to outstanding forward platinum contracts (note 13).

29. Financial instruments (cont'd):

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

Interest rate risk

Interest rate risk is the risk that the fair value of deferred 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 and cash equivalents at December 31, 2014, a 0.25% decline in interest rates, with all other variables held constant, would result in a decrease in investment income $59,000, 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.

Credit risk

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, cash equivalents, short-term investments and accounts receivable. The Corporation limits its exposure to credit risk on cash, 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.

30. Subsequent events:

Volkswagen intellectual property agreement

On February 11, 2015, the Corporation entered into a transaction with Volkswagen Group ("Volkswagen") to transfer certain automotive-related fuel cell intellectual property. Under the transfer agreement ("Volkswagen IP Agreement"), the Corporation will transfer to Volkswagen the automotive-related portion of the fuel cell intellectual property assets previously acquired from UTC (note 11), in exchange for $50,000,000 payable in two tranches; $40,000,000 of which was received at the closing of the transaction on February 23, 2015, with the remaining $10,000,000 payable on or before February 16, 2016. The Corporation also received a royalty-free license to all the intellectual property transferred to Volkswagen to utilize in its bus and non-automotive applications and in certain limited pre-commercial purposes for automotive applications.

30. Subsequent events (cont'd):

Volkswagen intellectual property agreement (cont'd)

Pursuant to the initial acquisition of intellectual property assets from UTC in April 2014, the Corporation is required to pay UTC a 25% license fee, or $10,000,000, on the initial $40,000,000 received from Volkswagen. The Corporation will also remit a 9% payment, or $900,000, to UTC on the receipt of the final $10,000,000 from Volkswagen when collected in 2016.

In connection with the transaction, Volkswagen extended the existing long-term technology development and engineering services agreement signed by the Corporation and Volkswagen in 2013 for two years to February 2019. The technology development and engineering services contract contemplates the design and manufacture of next-generation fuel cell stacks for use in Volkswagen's fuel cell demonstration car program. Volkswagen also retains an option to extend this agreement for a further two-year term.

Revolving credit facility extension

In February 2015, the maturity date of the revolving credit facility made available to Dantherm Power by a non-controlling partner (note 17) was extended from December 31, 2015 to December 31, 2016.



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of financial condition and results of operations of Ballard Power Systems Inc. ("Ballard", "the Company", "we", "us" or "our") is prepared as at February 25, 2015 and should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2014. The results reported herein are presented in U.S. dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company, including our Annual Information Form, is filed with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov) and is 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 our "commercial stage" markets of Telecom Backup Power and Material Handling and on our "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

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. 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. Embedded in each Ballard PEM fuel cell product lies a stack of unit cells designed with our proprietary technology which draws on intellectual property from our patent portfolio together with our extensive experience in key areas of fuel cell stack operation, system integration, and fuel processing.

We provide our customers with 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. Our focus is on leveraging the inherent reliability and durability derived from our legacy automotive technology into non-automotive markets where demand is near term and on our core competencies of PEM fuel cell design, development, manufacture, sales and service.

Our business strategy is a two-pronged approach to build shareholder value through the sale and service of power products and the delivery of technology solutions. In product sales, our focus is on meeting the power needs of our customers by delivering high value, high reliability, high quality and clean energy power products that reduce customer costs and risks. Through technology solutions, our focus is on enabling our customers to solve their technical and business challenges and accelerate their fuel cell programs by delivering customized, high value, bundled technology solutions, including specialized engineering services, access to our deep intellectual property portfolio and know-how through licensing

or sale, and providing technology component supply. To support our business strategy and our capability to execute on our clean energy growth priorities, we have also focused our efforts on bolstering our cash reserves in addition to continued efforts on both product cost reduction and managing our operating expense base including overall expense reductions, the pursuit of government funding for our research and product development efforts, and the redirection of engineering resources to revenue generating technology solutions and engineering service projects.

We are based in Canada, with head office, research and development, testing and manufacturing facilities in Burnaby, British Columbia. We also use a contract manufacturing facility in Tijuana, Mexico, have research and development facilities in Oregon and Maryland, U.S.A., and have a sales, manufacturing, and research and development facility in Hobro, Denmark.

RECENT DEVELOPMENTS

On February 11, 2015, we entered into a transaction with Volkswagen Group ("Volkswagen") to transfer certain automotive-related fuel cell intellectual property for an aggregate amount of approximately $80 million including the benefits of a two-year extension of our existing technology development and engineering services agreement with Volkswagen previously announced on March 6, 2013. Under the transfer agreement ("Volkswagen IP Agreement"), Ballard transferred the automotive-related portion of the fuel cell intellectual property assets previously acquired from United Technologies Corporation ("UTC") on April 24, 2014 to Volkswagen, in exchange for $50 million payable in two tranches; $40 million of which was received at the closing of the transaction on February 23, 2015 with the remaining $10 million payable on or before February 16, 2016. Ballard also received a royalty-free license to all the intellectual property transferred to Volkswagen to utilize in our bus and non-automotive applications and in certain limited pre-commercial purposes for automotive applications. Pursuant to initial acquisition of intellectual property assets from UTC in April 2014, we are required to pay UTC a 25% license fee, or $10 million, on the initial $40 million received from Volkswagen. Ballard will also remit a 9% payment, or $0.9 million, to UTC on the receipt of the final $10 million from Volkswagen when collected in 2016. In connection with the transaction, Volkswagen extended the existing long-term technology development and engineering services agreement signed by Ballard and Volkswagen in 2013 for 2-years to February 2019. This extension has an incremental value estimated at Canadian $30-50 million. Over the full 6-years, the technology development and engineering services contract has an estimated value of Canadian $100-$140 million and contemplates the design and manufacture of next-generation fuel cell stacks for use in Volkswagen's fuel cell demonstration car program. Volkswagen also retains an option to extend this agreement for a further 2-year term.

On January 2, 2015, we announced that we have given termination notice on two licensing agreements in the China market as a result of material breaches of these agreements by Azure Hydrogen Energy Science and Technology Corporation ("Azure"). The first license agreement, originally announced on September 26, 2013, related to the assembly of Ballard's FCvelocity(R)-HD7 Bus power modules for the Chinese market. The second license agreement, announced on June 19, 2014 is related to the assembly of Ballard's ElectraGen(R) Telecom Backup Power systems in China for the Chinese market. As a result of

Azure's breaches under both contracts, and notwithstanding Ballard's good faith efforts to reach a settlement, we provided notice of termination of both contracts as we consider our legal remedies. In the fourth quarter of 2014, we did not recognize any revenue on these contracts and recorded an impairment loss on trade receivables of $4.4 million related to the outstanding amounts owed by Azure.

On October 8, 2014, we completed a long term supply agreement with Plug Power Inc ("Plug Power") to provide fuel cell stacks for use in Plug Power's GenDrive(TM) systems deployed in forklift trucks. The new supply agreement replaces an existing agreement and runs to the end of 2017, with the provision for two 1-year extensions.

On September 1, 2014, we announced the appointment of Randall MacEwen as President and Chief Executive Officer, effective October 6, 2014. Mr. MacEwen replaced John Sheridan, who retired after serving as the Company's President and Chief Executive Officer since 2006.

On June 29, 2014, we completed a definitive agreement for the sub-license of intellectual property to M-Field Energy Corporation ("M-Field") for material handling systems to be deployed in Europe ("M-Field Licensing Agreement"). Ballard will also provide M-Field with engineering services support into early-2015 to assist in optimizing system integration activities utilizing Ballard fuel cell stacks. The agreement has an initial value of approximately $1 million. Also under the agreement, Ballard will be the exclusive supplier of fuel cell stacks, including the FCgen(R)-1020ACS air-cooled and FCvelocity(R)-9SSL liquid-cooled stack products, for all material handling systems deployed by M-Field in Europe. Amounts earned from the M-Field Licensing Agreement (approximately $0.1 million in the fourth quarter of 2014 and $0.8 million in 2014) are recorded as either Material Handling or Engineering Services revenues depending on the nature of the work performed. Prior to the completion of the M-Field Licensing Agreement, we acquired the material handling intellectual property portfolio of H2 Logic A/S, a leading European manufacturer of hydrogen refueling stations and fuel cell systems for applications such as forklift trucks and tow tractors when H2 Logic A/S made a strategic decision to narrow its business focus to hydrogen refueling stations. Ballard is sub-licensing this intellectual property to M-Field.

On June 19, 2014, we completed a definitive agreement with Azure Hydrogen Energy Science and Technology Corporation ("Azure") in relation to an assembly license for Telecom Backup Power systems for the China market ("Azure Telecom Backup Power Licensing Agreement"). The agreement had an estimated value of $7.2 million over 2014 and 2015. In addition to the payment for the assembly license, Ballard was to be the exclusive supplier of subsystems to Azure including FCgen(R)-1020ACS air-cooled fuel cell stacks and fuel processors and was to receive a royalty payment for each Telecom Backup Power system sold in China should Azure successfully execute its Business Plan and achieve volume commitments. On January 2, 2015, we announced that we have given termination notice on this agreement as a result of material breaches by Azure. Amounts earned from the Azure Telecom Backup Power Licensing Agreement (nil in the fourth quarter of 2014 and $3.8 million in 2014) prior to the contract termination are recorded as either Backup Power or Engineering Services revenues depending on the nature of the work performed.

On April 24, 2014, we acquired the transportation and stationary related fuel cell intellectual property assets of United Technologies Corporation ("UTC") for total consideration of $22.3 million. The acquired assets consist of approximately 800 patents and patent applications, as well as patent licenses, invention disclosures and know-how primarily related to PEM fuel cell technology. In addition to incremental intellectual property licensing revenue opportunities, the acquired intellectual property assets will support other key elements of Ballard's corporate strategy: engineering service capabilities will be expanded in both automotive and non-automotive markets; and fuel cell product sales will be accelerated through product development initiatives in areas such as durability and balance of plant simplification. As consideration for the acquired intellectual property assets, UTC received 5.1 million Ballard common shares valued at $20.3 million, $2 million in cash, a grant back license to use the patent portfolio in UTC's existing businesses, and a portion (typically 25%) of Ballard's future intellectual property sale and licensing income generated from the combined intellectual property portfolio for a period of 15-years expiring in April 2029. On February 11, 2015, we entered into an agreement with Volkswagen to transfer the automotive-related portion of the acquired UTC intellectual property assets to Volkswagen in exchange for total net payments of approximately $39 million while retaining a royalty-free license to utilize the entire UTC portfolio in our bus and non-automotive applications as well as for certain limited pre-commercial purposes in automotive applications. We retain a royalty obligation to pay UTC a portion (typically 25%) of any additional future intellectual property sale and licensing income generated from our intellectual property portfolio until April 2029.

During 2014, a total of 7.9 million share purchase warrants were exercised for Ballard common shares generating net proceeds of $12.3 million. The share purchase warrants were issued as part of two underwritten offerings which closed in March 2013 and October 2013 (see below for additional details). As of December 31, 2014, 0.25 million share purchase warrants from the March 2013 Offering and 1.7 million share purchase warrants from the October 2013 Offering remain outstanding.

During 2014, a total of 3.6 million employee share purchase options were exercised for Ballard common shares generating proceeds of $6.8 million. As of December 31, 2014, 4.4 million share purchase options at a variety of prices and vesting dates remain outstanding.

During March 2014, Anglo American Platinum Limited ("Anglo") converted its $4.0 million non-interest bearing promissory note into 4.76 million Ballard common shares as per the terms of an agreement announced on March 3, 2013 (see below for additional details). On conversion, the entire $4.0 million Note (which was classified as an equity instrument on initial issuance in 2013) was reclassified from Contributed Surplus to Share Capital.

On November 27, 2013, all of the convertible debt issued by our subsidiary Dantherm Power to Ballard and the non-controlling interests in Dantherm Power was exercised and converted into shares of Dantherm Power. The conversion did not impact the respective ownership of Dantherm Power with Ballard retaining a 52% ownership interest as compared to a 38% interest held by Dantherm A/S and a 10% interest held by Azure. On conversion, the convertible debt held by the non-controlling interests, Dantherm A/S and Azure, totaling $3.5 million was reclassified on Ballard's statement of financial position from debt to equity.

On October 9, 2013, we closed an underwritten offering ("October 2013 Offering") of 10.35 million units at a price of $1.40 per unit for gross proceeds of $14.5 million. Each unit in the October 2013 Offering was comprised of one common share and 0.25 of a warrant to purchase one common share. Each whole warrant was exercisable immediately upon issuance, having a five-year term and an exercise price of $2.00 per share. Net proceeds from the October 2013 Offering were $13.1 million, after deducting underwriting discounts, commissions and other offering expenses. During 2014, 0.9 million share purchase warrants from the October 2013 Offering were exercised for Ballard common shares generating proceeds of $1.8 million. As of December 31, 2014, 1.7 million share purchase warrants from the October 2013 Offering remain outstanding.

On September 26, 2013, we completed multi-year definitive agreements with Azure to support Azure's zero emission fuel cell bus program for the China market. Azure planned to partner with Chinese bus manufacturers in a phased development program for deployment of zero emission fuel cell buses in China, using Ballard's world leading fuel cell technology ("Azure Bus Licensing Agreement"). For the first phase of the program, Ballard had agreed to provide a license, associated equipment and engineering services to enable assembly of Ballard's FCvelocity(R)-HD7 bus power modules by Azure in China. Once this assembly capability was established, Azure would assemble modules with fuel cell stacks to be supplied exclusively by Ballard. The expected value of the contract to Ballard over the initial 12-months of the first phase was approximately $11 million, related to the license for module assembly together with associated equipment and engineering services. On January 2, 2015, we announced that we have given termination notice on this agreement as a result of material breaches by Azure. Amounts earned from the Azure Bus Licensing Agreement ($nil in the fourth quarter of 2014 and $4.9 million in 2014, and $3.0 million in the fourth quarter of 2013 and $5.0 million in 2013) prior to the contract termination are recorded as either Bus or Engineering Services revenues depending on the nature of the work performed.

On March 31, 2013, our subsidiary Dantherm Power completed an agreement whereby Azure acquired a 10% ownership position in Dantherm Power for proceeds of $2.0 million to Dantherm Power. The $2.0 million investment consisted of the issuance of Dantherm Power share capital of $1.4 million and Dantherm Power convertible debentures of $0.6 million (which was subsequently converted to Dantherm Power share capital in November 2013). Following the transaction in March 2013, Ballard's ownership position in Dantherm Power was reduced from 57% to 52% while still retaining control over Dantherm Power.

On March 28, 2013, we completed an agreement with Anglo under which Anglo invested $4.0 million in Ballard through its PGM Development Fund to support continued development and commercial advancement of our fuel cell production. The investment was in the form of a $4.0 million, 5-year, non-interest bearing convertible promissory note ("Note") issued by Ballard. The Note was repayable through the issuance of Ballard common shares at Anglo's option on or before the loan maturity date of April 1, 2018. The conversion price was set at a fixed price of $0.84 per share (or 4.76 million Ballard common shares on conversion of the entire $4.0 million Note) which was equal to a 20% discount to the market price of the Ballard common shares on the closing date of the transaction. In March 2014, the entire $4.0 million Note was converted into 4.76 million Ballard common shares.

On March 26, 2013, we closed on an underwritten offering ("March 2013 Offering") of 7.275 million units at a price of $1.10 per unit for gross proceeds of $8.0 million. Each unit in the March 2013 Offering was comprised of one common share and one warrant to purchase one common share. Each warrant was exercisable immediately upon issuance, having a five-year term and an exercise price of $1.50 per share. Net proceeds from the March 2013 Offering were $6.8 million, after deducting underwriting discounts, commissions and other offering expenses, legal and accounting fees, and previously incurred costs related to the 2012 base shelf prospectus under which the units were issued. During 2014, 7.0 million share purchase warrants from the March 2013 Offering were exercised for Ballard common shares generating proceeds of $10.5 million. As of December 31, 2014, 0.25 million share purchase warrants from the March 2013 Offering remain outstanding.

On March 6, 2013, we entered into a technology development and engineering services agreement with Volkswagen Group ("Volkswagen") to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The contract term is 4-years commencing in March 2013, with an option for a 2-year extension. The expected contract value is in the range of approximately $60 - $100 million Canadian. Amounts earned from this agreement ($4.0 million in the fourth quarter of 2014, $18.5 million in 2014, and $13.5 million in 2013) are recorded primarily as Engineering Services revenues. On closing of the Volkswagen IP Agreement in February 2015, this technology development and engineering services was extended 2-years to February 2019. Over the full 6-years, this technology development and engineering services contract now has an estimated value of Canadian $100-140 million and consists of the design and manufacture of next-generation fuel cell stacks for use in Volkswagen's fuel cell demonstration car program. This agreement includes a further optional 2-year extension.

On January 31, 2013, we completed an agreement to sell substantially all of the assets in our Lowell, Massachusetts based Material Products division for net cash proceeds of $9.0 million after deducting for working capital adjustments, broker commissions and expenses, and legal and other expenses. In March 2014, we received additional proceeds of $0.3 million payable through a product credit in 2014 and 2015 for fuel cell gas diffusion layers ("GDLs") based on the 2013 financial results of the former Material Products division. The Material Products segment is classified as a discontinued operation in our consolidated financial statements.

On January 15, 2013, we reached an agreement with Technology Partnerships Canada ("TPC") to terminate all existing and future potential royalties payable in respect of future sales of fuel cell based stationary power products under the Utilities Development Program (Phase 2) in exchange for a final repayment to TPC of $1.9 million Canadian. Under the terms of the Utilities Development Program (Phase 2) with TPC, total royalties were payable annually at 4% of revenue of such products and limited to a total maximum repayment of $38.3 million Canadian. On settlement with TPC on January 15, 2013, we recorded a charge of ($1.2) million to Finance income (loss) representing the excess of the settlement amount of $1.9 million over royalty amounts accrued as of the date of settlement of $0.7 million. The $1.9 million settlement was paid in four equal quarterly installments during 2013.

In June 2011, we obtained a $7.0 million Canadian (revised to $7.3 million Canadian in December 2012) award agreement from Sustainable Development Technology Canada

("SDTC") for the period from 2011 to 2015 for extending the operating life and lowering the product cost of FCgen(TM)-1300, the fuel cell product that powers Ballard's CLEARgen(TM) distributed generation system. This award is in addition to a $4.8 million Canadian (revised to $6.9 million Canadian in June 2012) award agreement from SDTC announced in 2010 and successfully completed in 2014 for helping to develop the FCvelocity(R)-HD7, Ballard's next-generation of fuel cell power module designed specifically for integration into bus applications and reflecting improved durability and reliability as well as a significant reduction in cost. These awards are recorded primarily as a cost offset against our research and product development expenses as the expenses are incurred on these programs.

OPERATING SEGMENTS

We report our results in the single operating segment of Fuel Cell Products and Services. Our Fuel Cell Products and Services segment consists of the sale and service of fuel cell products for our "commercial stage" markets of Telecom Backup Power and Material Handling and for our "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

SELECTED ANNUAL FINANCIAL INFORMATION

Results of Operations	**Year ended,**		
	2014	**2013**	**2012**
(Expressed in thousands of U.S. dollars, except per share amounts and gross margin %)			
From continuing operations			
Revenues	**$ 68,721**	**$ 61,251**	**$ 43,690**
Gross margin	**$ 10,246**	**$ 16,759**	**$ 7,369**
Gross margin %	**15%**	**27%**	**17%**
Cash Operating Costs [1]	**$ 26,367**	**$ 28,084**	**$ 30,301**
Adjusted EBITDA [1]	**$ (18,635)**	**$ (8,188)**	**$ (22,076)**
Normalized Net Loss [1]	**$ (21,833)**	**$ (18,056)**	**$ (31,750)**
Normalized Net Loss per share	**$ (0.17)**	**$ (0.18)**	**$ (0.36)**
Net loss from continuing operations attributable to Ballard	**$ (28,188)**	**$ (19,988)**	**$ (42,320)**
Net loss per share attributable to Ballard, basic and diluted	**$ (0.22)**	**$ (0.20)**	**$ (0.48)**
From discontinued operations			
Net earnings (loss) from discontinued operations	**$ 320**	**$ 24**	**$ (65)**
Net earnings (loss) per share from discontinued operations	**$ -**	**$ -**	**$ -**

Financial Position	**At December 31,**		
(expressed in thousands of U.S. dollars)	**2014**	**2013**	**2012**
Assets from continuing operations	**$ 127,905**	**$ 120,214**	**$ 116,749**
Assets from discontinued operations	**$ -**	**$ -**	**$ 10,798**
Total assets	**$ 127,905**	**$ 120,214**	**$ 127,547**
Cash and cash equivalents	**$ 23,671**	**$ 30,301**	**$ 9,770**
Short-term investments	**$ -**	**$ -**	**$ 12,068**
Bank operating line	**$ -**	**$ -**	**$ (9,358)**
Net cash reserves	**$ 23,671**	**$ 30,301**	**$ 12,480**

1 Cash Operating Costs, Adjusted EBITDA, Normalized Net Loss and Normalized Net Loss per share are non-GAAP measures. 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.

2014 Performance compared to our 2014 Revised Business Outlook

On January 2, 2015, we announced that we had given termination notices on the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement as a result of contract breaches by Azure. As a result of these contract breaches, we noted that we would not recognize expected revenue of over $3 million and would incur an impairment loss on Azure trade receivables of $4.4 million in the fourth quarter of 2014. As a result of these contract breaches by Azure, we announced that we would not achieve our revised 2014 revenue and Adjusted EBITDA outlook on January 2, 2015.

Our actual results compared to our revised business outlook for 2014 are as follows:

- Our revised 2014 revenue guidance was for revenue growth of approximately 20% over 2013 revenue of $61.3 million, or approximately $73.5 million in 2014. Actual revenues of $68.7 million in 2014 were only 12% higher than revenues in 2013, representing a shortfall of approximately ($5) million against our revised revenue guidance. This shortfall is due to (i) the lost Azure revenue of approximately ($3) million; and (ii) approximately ($2) million due to delays from forecast in terms of closing and shipping expected sales orders primarily in our Telecom Backup Power market as expected customer purchase orders were not received due to the relatively long, protracted sales cycle that includes additional time required for qualification, onsite testing, field trialing and certification.

- Our revised 2014 Adjusted EBITDA guidance was for improvement of approximately 65% over 2013, or approximately ($3) million in 2014. Actual Adjusted EBITDA in 2014 was ($18.6) million, representing a shortfall of approximately ($15.6) million against our revised Adjusted EBITDA guidance. This shortfall is attributable to (i) the impact of lost Azure gross margin of approximately ($3) million; (ii) the ($4.4) million Azure impairment charge; (iii) unexpected increases in warranty, inventory and service related expenses of approximately ($5) million related primarily to our Telecom Backup Power market in Asia; (iv) unexpected additional impairment of trade receivables of approximately ($1.8) million related to non-collection of certain of our customers primarily in Asia; (v) lower than anticipated government recoveries of approximately ($0.6) million related primarily to Dantherm Power; and (vi) lower than anticipated absolute revenue growth and the related impact of higher manufacturing overhead and related costs of approximately ($0.6) million.

RESULTS OF OPERATIONS – Fourth Quarter of 2014

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Fuel Cell Products and Services	**2014**	**2013**	$ Change	% Change
Telecom Backup Power	**$ 3,136**	**$ 5,904**	$ (2,768)	(47%)
Material Handling	**4,316**	**1,968**	2,347	119%
Engineering Services	**6,075**	**6,215**	(140)	(2%)
Development Stage	**2,120**	**3,229**	(1,108)	(34%)
Revenues	**15,647**	**17,316**	(1,669)	(10%)
Cost of goods sold	**18,680**	**11,422**	7,258	64%
Gross Margin	**$ (3,033)**	**$ 5,894**	$ (8,927)	(151%)
Gross Margin %	**(19%)**	**34%**	n/a	(53 pts)

Fuel Cell Products and Services Revenues of $15.6 million for the fourth quarter of 2014 declined (10%), or ($1.7) million, compared to the fourth quarter of 2013. The (10%) decline was driven by lower Telecom Backup Power and Development Stage revenues, which more than offset the significant increase in Material Handling revenues and relatively flat Engineering Services revenues. As a result of contract breaches by Azure, we did not record any engineering services, bus or Telecom Backup power revenue in the fourth quarter of 2014 from the Azure Bus and Azure Telecom Backup Power Agreements as compared to a total of $3.0 million recognized in the fourth quarter of 2013.

Engineering Services revenues of $6.1 million decreased ($0.1) million, or (2%), as increases in services performed on the Volkswagen Agreement and several other smaller-scale, multi-customer programs were more than offset by lower amounts earned on the Azure Bus Licensing Agreement revenue ($nil in the fourth quarter of 2014 as compared to $0.7 million in the fourth quarter of 2013).

Material Handling revenues of $4.3 million increased $2.3 million, or 119%, as a result of significantly higher shipments in support of Plug Power Inc.'s GenDrive(TM) systems.

Telecom Backup Power revenues of $3.1 million declined ($2.8) million, or (47%), due to a significant decline in shipments of hydrogen-based backup power stacks, combined with a moderate decline in shipments of methanol-based and hydrogen-based systems (total methanol-based and hydrogen-based system shipments were 132 in the fourth quarter of 2014 as compared to 177 systems in the fourth quarter of 2013). New customer deployments of Telecom Backup Power system solutions were impacted by the relatively long, protracted sales cycle that includes additional time required for qualification, onsite testing, field trialing and certification.

Development stage revenues of $2.1 million decreased ($1.1) million, or (34%), as increased shipments of heavy-duty fuel cell bus modules to our customers primarily in China and North America were more than offset by lower amounts earned on the Azure Bus Licensing Agreement (nil in the fourth quarter of 2014 as compared to $2.3 million in the fourth quarter of 2013).

Fuel Cell Products and Services gross margins declined to ($3.0) million, or (19%) of revenues, for the fourth quarter of 2014, compared to $5.9 million, or 34% of revenues, for the fourth quarter of 2013. The significant decline in gross margin was driven by (i) negative net warranty adjustments in the fourth quarter of 2014 of ($3.7) million related primarily to an increase in customer service related expenses in our Telecom Backup Power market as a result of fuel processor issues in a select Asian deployment, compared to positive net warranty adjustments of $1.3 million in the fourth quarter of 2013 related primarily to warranty expirations in the Bus market; (ii) a lack of high margin revenue earned in the fourth quarter of 2014 on the contract breached Azure Agreements, compared to revenue recognized on the Azure Bus Agreement of $3.0 million in the fourth quarter of 2013; (iii) negative inventory impairments in the fourth quarter of 2014 of ($0.7) million related primarily to excess distributed generation and other excess and obsolete inventory, compared to negative inventory impairments of ($0.5) million in the fourth quarter of 2013 related primarily to excess bus service inventory; and (iv) higher manufacturing overhead and related costs as a result of lower Telecom Backup Power stack and system shipments, combined with higher material usage and direct labour costs primarily as a result of product mix and an increase in service related expenses.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2014	2013	$ Change	% Change
Research and Product Development (operating cost)	**$ 3,700**	$ 2,374	$ 1,326	56%
General and Administrative (operating cost)	**2,473**	1,945	528	27%
Sales and Marketing (operating cost)	**1,658**	1,912	(254)	(13%)
Cash Operating Costs	**$ 7,831**	$ 6,231	$ 1,600	26%

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 adjusts operating expenses for stock-based compensation expense, depreciation and amortization, impairment losses on trade receivables, restructuring charges, acquisition costs and financing charges.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for the fourth quarter of 2014 were $7.8 million, an increase of $1.6 million, or 26%, compared to the fourth quarter of 2013. The 26% increase in the fourth quarter of 2014 was driven by significantly higher research and product development costs as increased general and administrative costs were primarily offset by minor reductions in sales and marketing costs.

Research and product development costs for the fourth quarter of 2014 were $3.7 million, an increase of $1.3 million, or 56%, compared to the fourth quarter of 2013. The 56% increase was driven primarily by lower government funding as recoveries in Denmark by Dantherm Power were down significantly, combined with lower government recoveries in Canada as we successfully concluded the multi-year SDTC Bus award in 2014 with the introduction of the FCvelocity(R)-HD7, Ballard's next-generation of fuel cell bus power module. Government research funding is reflected as a cost offset to research and product development expenses.

General and administrative costs for the fourth quarter of 2014 were $2.5 million, an increase of $0.5 million, or 27%, compared to the fourth quarter of 2013. The 27% increase was driven by higher legal and transaction related expenses incurred as a result of the

Azure contract breaches and the subsequent Volkswagen IP Agreement, by higher patent renewal costs incurred related to the acquired UTC intellectual property portfolio, and by higher human resources expenses related primarily to CEO transition expenses.

Sales and marketing costs for the fourth quarter of 2014 were $1.7 million, a decline of ($0.3) million, or (13%), compared to the fourth quarter of 2013. The (13%) decrease was driven by lower labour costs as a result of a 8% lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base combined with lower accrued sales compensation as a result of under-performance against our 2014 revenue performance targets.

Operating expenses in the fourth quarter of 2014 benefited from the positive impact of a weaker Canadian dollar, relative to the U.S. dollar. As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian dollar relative to the U.S. dollar was approximately 8% lower in the fourth quarter of 2014 as compared to the fourth quarter of 2013, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $0.5 million. A $0.01 decrease in the Canadian dollar, relative to the U.S. dollar, positively impacts annual Cash Operating Costs and Adjusted EBITDA by approximately $0.2 million to $0.3 million.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2014	20133	$ Change	% Change
Adjusted EBITDA	$ **(16,057)**	$ 171	$ (16,228)	(9504%)

EBITDA and Adjusted EBITDA are non-GAAP measures. 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 adjusts EBITDA for stock-based compensation expense, transactional gains and losses, finance and other income, and acquisition costs.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for the fourth quarter of 2014 was ($16.1) million, compared to $0.2 million for the fourth quarter of 2013. The ($16.2) million increase in Adjusted EBITDA loss in the fourth quarter of 2014 was driven by the decline in gross margin of ($8.9) million primarily as a result of higher net negative warranty adjustments of ($5.0) million combined with the negative impact of the (10%) overall decline in revenue and the lack of high margin licensing revenue earned in the fourth quarter of 2014 as a result of the Azure contract breaches, by higher other expenses of ($6.0) million primarily as a result of increased impairment losses on trade receivables, and by increases in Cash Operating Costs of ($1.6) million primarily as a result of lower government funding recoveries in Denmark.

Impairment loss on trade receivables for the three months ended December 31, 2014 were ($6.2) million, compared to ($0.2) million for the corresponding period of 2013. Impairment loss on trade receivables in 2014 consists of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) related to non-collection of certain of our customers primarily in Asia. In the event that we are able to recover on these accounts in 2015 through legal or other means, the recovered amount will be recognized in the period of recovery as a reversal of the impairment loss.

Net loss attributable to Ballard

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2014	2013	$ Change	% Change
Net loss attributable to Ballard from continuing operations	$ **(17,467)**	$ (2,274)	$ (15,193)	(668%)

Net loss attributable to Ballard from continuing operations for the fourth quarter of 2014 was ($17.5) million, or ($0.13) per share, compared to a net loss of ($2.3) million, or ($0.02) per share, in the fourth quarter of 2013. The ($15.2) million increase in net loss for the fourth quarter of 2014 was driven primarily by the increase in Adjusted EBITDA loss of ($16.2) million combined with the decline in Finance and other income of ($1.0) million primarily as a result of a decrease in foreign exchange gains on our Canadian dollar-denominated net monetary position, partially offset by lower stock-based compensation expense of $1.4 million as certain outstanding restricted share units ultimately failed to meet the vesting criteria due to under-performance against our 2014 corporate performance targets.

Net loss attributable to Ballard in the fourth quarter of 2013 was also negatively impacted by impairment charges on investments of ($0.2) million on our non-core investment in Chrysalix Energy Limited Partnership. Adjusted EBITDA and Net loss attributable to Ballard in the fourth quarters of 2014 and 2013 were also negatively impacted by impairment loss on trade receivables of ($6.2) million and ($0.2) million, respectively. Excluding the impact of the impairment loss on trade receivables and the impact of the Chrysalix impairment charge, Normalized Net Loss (see Supplemental Non-GAAP Measures) in the fourth quarter of 2014 was ($11.3) million, or ($0.09) per share, compared to ($1.9) million, or ($0.02) per share, for the fourth quarter of 2013.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Dantherm Power. During the fourth quarters of 2014 and 2013, we held a 52% equity interest in Dantherm Power. Net loss attributed to non-controlling interests for the fourth quarter of 2014 was ($0.6) million, as compared to ($0.2) million for the fourth quarter of 2013.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2014	2013	$ Change	% Change
Cash (used in) provided by operating activities	**$ (8,195)**	$ (872)	$ (7,323)	(840%)

Cash used in operating activities in the fourth quarter of 2014 was ($8.2) million, consisting of cash operating losses of ($10.8) million, partially offset by net working capital inflows of $2.6 million. Cash used in operating activities in the fourth quarter of 2013 was ($0.9) million, consisting of cash operating losses of ($0.1) million and net working capital outflows of ($0.8) million. The ($7.3) million increase in cash used by operating activities in the fourth quarter of 2014, as compared to the fourth quarter of 2013, was driven by the relative increase in cash operating losses of ($10.7) million, partially offset by the relative improvement in working capital requirements of $3.4 million. The ($10.7) million increase in cash operating losses in the fourth quarter of 2014 was due primarily to the ($16.2) million

increase in Adjusted EBITDA loss, partially offset by the increase in impairment losses on trade receivables of $6.0 million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses.

The total change in working capital of $2.6 million in the fourth quarter of 2014 was due to higher accrued warranty provisions of $3.5 million primarily as a result of an adjustment for an expected increase in customer service related expenses in our Telecom Backup Power market in Asia, combined with lower inventory of $2.6 million as we shipped product purchased and built in prior quarters. These fourth quarter of 2014 working capital inflows were partially offset by lower accounts payable and accrued liabilities of ($3.7) million as a result of increased supplier payments made for higher inventory purchases in the first three quarters of 2014 and by a downward adjustment to accrued cash-based compensation expense in the fourth quarter of 2014 as a result of under-performing against our 2014 corporate performance targets. This compares to a total change in working capital of ($0.8) million in the fourth quarter of 2013 which was due primarily to lower accounts payable and accrued liabilities of ($6.9) million as a result of increased supplier payments made for higher inventory purchases in the first three quarters of 2013, partially offset by lower accounts receivable of $4.6 million due to significant customer collections in the fourth quarter of 2013, and by lower inventory levels of $1.5 million.

RESULTS OF OPERATIONS – Year ended December 31, 2014

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	**Year ended December 31,**			
Fuel Cell Products and Services	**2014**	**2013**	$ Change	% Change
Telecom Backup Power	**$ 15,856**	**$ 20,464**	$ (4,608)	(23%)
Material Handling	**14,491**	**6,456**	8,035	124%
Engineering Services	**30,257**	**21,132**	9,125	43%
Development Stage	**8,117**	**13,199**	(5,082)	(39%)
Revenues	**68,721**	**61,251**	7,470	12%
Cost of goods sold	**58,475**	**44,492**	13,983	31%
Gross Margin	**$ 10,246**	**$ 16,759**	$ (6,513)	(39%)
Gross Margin %	**15%**	**27%**	n/a	(12 pts)

Fuel Cell Products and Services Revenues of $68.7 million for 2014 increased 12%, or $7.5 million, compared to 2013. The 12% increase was driven by significantly higher Engineering Services and Material Handling revenues, which more than offset the decline in Telecom Backup Power and Development Stage revenues. As a result of contract breaches by Azure, we did not record any engineering services, bus or Telecom Backup power revenue in the fourth quarter of 2014 from the Azure Bus and Azure Telecom Backup Power Agreements. Prior to the contract breaches by Azure, we recognized a total of $8.7 million on the two agreements in 2014 as compared to a total of $5.0 million in 2013.

Engineering Services revenues of $30.3 million increased $9.1 million, or 43%, as services performed in 2014 on the Volkswagen Agreement and several other smaller-scale, multi-customer programs were significantly higher than amounts performed in 2013 on similar

type contracts, combined with an increase in servicing revenue earned on the Azure Bus and Telecom Backup Power License Agreements prior to their contract breach by Azure ($3.0 million in 2014 as compared to $1.1 million in 2013).

Telecom Backup Power revenues of $15.9 million decreased ($4.6) million, or (23%) due primarily to a decline in shipments of methanol-based and hydrogen-based systems (total methanol-based and hydrogen-based system shipments were 375 in 2014 as compared to 796 systems in 2013). This decline in Telecom Backup system revenues more than offset the positive impact of an increase in shipments of hydrogen-based backup power stacks and an increase in licensing revenue earned on the Azure Telecom Backup Power License Agreement prior to its contract breach by Azure ($2.7 million in 2014 as compared to $nil million in 2013). New customer deployments of Telecom Backup Power system solutions were impacted by the relatively long, protracted sales cycle that includes additional time required for qualification, onsite testing, field trialing and certification.

Material Handling revenues of $14.5 million increased $8.0 million, or 124%, as a result of significantly higher shipments in support of Plug Power Inc.'s GenDrive(TM) systems, combined with increased licensing revenue as a result of the M-Field Licensing Agreement.

Development stage revenues of $8.1 million decreased ($5.1) million, or (39%), due to a decline in shipments of heavy-duty fuel cell bus modules as our customers in Europe and North America focused primarily on commissioning and servicing their fuel cell bus fleets in advance of starting expected new programs in 2015, combined with lower amounts earned on the Azure Bus Licensing Agreement prior to its contract breach by Azure ($3.0 million in 2014 as compared to $3.9 million in 2013).

Fuel Cell Products and Services gross margins declined to $10.2 million, or 15% of revenues, for 2014, compared to $16.8 million, or 27% of revenues, for 2013. The significant decline in gross margin was driven by (i) negative net warranty adjustments in 2014 of ($3.5) million related primarily to an increase in customer service related expenses in our Telecom Backup Power market as a result of fuel processor issues in a select Asian deployment, compared to positive net warranty adjustments of $1.8 million in 2013 related primarily to warranty expirations in the Bus market; (ii) negative inventory impairments in 2014 of ($1.4) million related primarily to excess distributed generation and other excess and obsolete inventory, compared to negative inventory impairments of ($0.6) million in 2013 related primarily to excess bus service inventory; and (iii) higher manufacturing overhead and related costs in our Tijuana, Mexico facility as a result of lower Telecom Backup Power system shipments, combined with higher material usage and direct labour costs primarily as a result of product mix and an increase in service related expenses.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	% Change
Research and Product Development (operating cost)	**$ 10,436**	$ 12,592	$ (2,156)	(17%)
General and Administrative (operating cost)	**9,127**	8,263	864	10%
Sales and Marketing (operating cost)	**6,804**	7,229	(425)	(6%)
Cash Operating Costs	**$ 26,367**	$ 28,084	$ (1,717)	(6%)

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 adjusts operating expenses for stock-based compensation expense, depreciation and amortization, impairment losses on trade receivables, restructuring charges, acquisition costs and financing charges.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for 2014 were $26.4 million, a decline of ($1.7) million, or (6%), compared to 2013. The 6% reduction in 2014 was driven by lower research and product development costs of ($2.2) million as increases in general and administrative costs were primarily offset by reductions in sales and marketing costs.

Research and product development costs for 2014 were $10.4 million, a decline of ($2.2) million, or (17%), compared to 2013. The (17%) reduction was driven by the 43% increase in engineering services revenues resulting in significantly increased engineering staff resources being redirected to revenue generating engineering service projects. This benefit was partially offset by lower government funding due to lower recoveries in Denmark by Dantherm Power and by lower government recoveries in Canada as we successfully concluded the multi-year SDTC Bus award in 2014 with the introduction of the FCvelocity(R)-HD7, Ballard's next-generation of fuel cell bus power module. Government research funding is reflected as a cost offset to research and product development expenses, whereas labour and material costs incurred on revenue producing engineering services projects are reallocated from research and product development expenses to cost of goods sold.

General and administrative costs for 2014 were $9.1 million, an increase of $0.9 million, or 10%, compared to 2013. The 10% increase was driven by higher legal and transaction related expenses incurred in 2014 as a result of the Azure Telecom Backup License Power Agreement and related contract breaches, the UTC and H2 Logic A/S intellectual property acquisitions and the subsequent Volkswagen IP Agreement, and by higher patent renewal costs related to the acquired UTC intellectual property portfolio, and by higher human resources expenses related primarily to CEO search and transition expenses.

Sales and marketing costs for 2014 were $6.8 million, a decline of ($0.4) million, or (6%), compared to 2013. The (6%) decrease was driven by lower labour costs as a result of a lower Canadian dollar in 2014 combined with lower accrued sales compensation as a result of under-performance against our 2014 revenue performance targets.

Operating expenses in 2014 benefited from the positive impact of a weaker Canadian dollar, relative to the U.S. dollar. As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian

dollar relative to the U.S. dollar was approximately 7% lower in 2014 as compared to 2013, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $1.8 million. A $0.01 decrease in the Canadian dollar, relative to the U.S. dollar, positively impacts annual Cash Operating Costs and Adjusted EBITDA by approximately $0.2 million to $0.3 million.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	% Change
Adjusted EBITDA	$ **(18,635)**	$ (8,188)	$ (10,447)	(128%)

EBITDA and Adjusted EBITDA are non-GAAP measures. 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 adjusts EBITDA for stock-based compensation expense, transactional gains and losses, finance and other income, and acquisition costs.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for 2014 was ($18.6) million, compared to ($8.2) million for 2013. The ($10.4) million increase in Adjusted EBITDA loss in 2014 was driven by the decline in gross margin of ($6.5) million primarily as a result of higher net negative warranty adjustments of ($5.3) million combined with higher net negative inventory adjustments of ($0.8) million, higher manufacturing overhead and related costs in our Tijuana, Mexico facility as a result of lower Telecom Backup Power system shipments and higher material usage and direct labour costs primarily as a result of product mix and an increase in service related expenses, by higher other expenses of ($5.4) million primarily as a result of increased impairment losses on trade receivables, partially offset by the reduction in Cash Operating Costs of $1.7 million primarily as a result of the 43% increase in engineering services revenues resulting in significantly increased engineering staff resources being redirected to revenue generating engineering service projects.

Impairment loss on trade receivables in 2014 were ($6.2) million, compared to ($0.2) million for 2013. Impairment loss on trade receivables in 2014 consists of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) related to non-collection of certain of our customers primarily in Asia. In the event that we are able to recover on these accounts in 2015 through legal or other means, the recovered amount will be recognized in the period of recovery as a reversal of the impairment loss. Other expenses in 2013 include restructuring charges of ($0.6) million related primarily to minor restructurings focused on overhead cost reduction.

Net loss attributable to Ballard

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	% Change
Net loss attributable to Ballard from continuing operations	$ **(28,188)**	$ (19,988)	$ (8,200)	(41%)

Net loss attributable to Ballard from continuing operations for 2014 was ($28.2) million, or ($0.22) per share, compared to a net loss of ($20.0) million, or ($0.20) per share, in 2013. The ($8.2) million increase in net loss was driven primarily by the increase in Adjusted EBITDA loss of ($10.4) million, partially offset by lower stock-based compensation expense of $1.5 million as certain outstanding restricted share units ultimately failed to meet the

vesting criteria due to under-performance against our 2014 corporate performance targets. Finance and other income was relatively flat year over year as a decrease in foreign exchange gains on our Canadian dollar-denominated net monetary position in 2014 was offset by a ($1.2) million charge in 2013 as a result of the settlement of the TPC obligation.

Net loss attributable to Ballard in 2014 and 2013 was also negatively impacted by impairment charges on investments of ($0.1) million and ($0.5) million, respectively, on our non-core investment in Chrysalix Energy Limited Partnership. Adjusted EBITDA and Net loss attributable to Ballard in 2014 and 2013 were also negatively impacted by impairment losses on trade receivables of ($6.2) million and ($0.2) million, respectively. Excluding the impact of the impairment loss on trade receivables, the Chrysalix impairment charge, and the impact of the TPC settlement charge, Normalized Net Loss (see Supplemental Non-GAAP Measures) in 2014 was ($21.8) million, or ($0.17) per share, compared to ($18.1) million, or ($0.18) per share, for 2013.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Dantherm Power. During 2014, we held a 52% equity interest in Dantherm Power as compared to a 57% equity interest held in the first quarter of 2013 and a 52% equity interest in the second, third and fourth quarters of 2013. Net loss attributed to non-controlling interests for 2014 was ($1.6) million, as compared to ($1.7) million for 2013.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	% Change
Cash (used in) provided by operating activities	**$ (20,671)**	$ (17,416)	$ 3,255	19%

Cash used in operating activities in 2014 was ($20.7) million, consisting of cash operating losses of ($15.7) million and net working capital outflows of ($5.0) million. Cash used in operating activities in 2013 was ($17.4) million, consisting of cash operating losses of ($11.8) million and net working capital outflows of ($5.6) million. The ($3.3) million increase in cash used by operating activities in 2014, as compared to 2013, was driven by the relative increase in cash operating losses of ($3.9) million, partially offset by lower relative working capital requirements of $0.6 million. The ($3.9) million increase in cash operating losses was due primarily to the ($10.4) million increase in Adjusted EBITDA loss, partially offset by the increase in impairment losses on trade receivables of $6.0 million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses.

The total change in working capital of ($5.0) million in 2014 was driven by lower accounts receivable of ($4.1) million primarily as a result of impairment losses on trade receivables of ($6.2) million and the timing of Engineering Services, Bus and Telecom Backup Power revenues and the related customer collections, and by lower deferred revenue of ($4.4) million as we completed the contract work on Engineering Services and SDTC government grant contracts for which we received pre-payments in an earlier period. These working capital outflows in 2014 were partially offset by working capital inflows related to higher accrued warranty provisions of $2.4 million primarily as a result of an adjustment for an expected increase in customer service related expenses in our Telecom Backup Power

market in Asia, and by lower inventory of $1.5 million as we shipped product purchased and built in prior quarters. This compares to a total change in working capital of ($5.6) million in 2013 which was driven by lower accounts payable and accrued liabilities of ($5.0) million as a result of increased supplier payments made for higher inventory purchases in the fourth quarter of 2013, and by higher inventory of ($2.9) million due to the buildup of inventory to support expected higher product shipments in 2014. These 2013 working capital outflows were partially offset by lower accounts receivable of $1.7 million primarily as a result of the timing of Bus and Telecom Backup Power revenues and the related customer collections, and by higher deferred revenue of $2.4 million as we received Engineering Services and SDTC government grant receipts in advance of incurring the related contract work.

RESULTS OF DISCONTINUED OPERATIONS

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	% Change
Revenues	**$ -**	$ 867	$ (867)	(100%)
Cost of goods sold	**-**	(627)	627	100%
Gross margin	**-**	240	(240)	(100%)
Operating expenses	**-**	(252)	252	100%
Impairment (charge) recovery on property, plant and equipment	**320**	45	275	611%
Income taxes	**-**	(9)	9	100%
Net earnings (loss) from discontinued operations	**$ 320**	$ 24	$ 296	1233%

As a result of the disposition of our Materials Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our consolidated financial statements. As such, the operating results of the former Material Products segment have been removed from our results from continuing operations and are instead presented separately in the statement of comprehensive income as income from discontinued operations. The former Materials Product segment sold carbon fiber products primarily for automotive transmissions, and GDL's for fuel cells.

Net earnings from discontinued operations of $0.3 million for the year ended December 31, 2014 relate to additional proceeds to be received in 2014 and 2015 in the form of a 12-month product credit as a result of the disposition of the former Materials Product division. The $0.3 million product credit is to be utilized through the supply of fuel cell gas diffusion layers, a component in our fuel cell modules, and represent the additional potential proceeds that are now payable based on the 2013 financial results of the former Material Products division. The additional proceeds payable have been recorded as a reversal of previously recorded impairment losses on property, plant and equipment.

OPERATING EXPENSES AND OTHER ITEMS

Research and product development expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Research and product development	**2014**	2013	$ Change	% Change
Research and product development expense	**$ 4,510**	**$ 3,636**	$ 874	24%
Less: Depreciation and amortization expense	**$ (914)**	**$ (967)**	$ 53	5%
Less: Stock-based compensation recovery (expense)	**$ 104**	**$ (295)**	$ 399	135%
Research and product development (operating cost)	**$ 3,700**	**$ 2,374**	$ 1,326	56%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Research and product development	**2014**	2013	$ Change	% Change
Research and product development expense	**$ 14,294**	**$ 17,117**	$ (2,823)	(16%)
Less: Depreciation and amortization expense	**$ (3,209)**	**$ (3,286)**	$ 77	2%
Less: Stock-based compensation expense	**$ (649)**	**$ (1,239)**	$ 590	48%
Research and product development (operating cost)	**$ 10,436**	**$ 12,592**	$ (2,156)	(17%)

Research and product development expenses for the three months ended December 31, 2014 were $4.5 million, an increase of $0.9 million, or 24%, compared to the corresponding period of 2013. Excluding depreciation and amortization expense of ($0.9) and ($1.0) million, respectively, and stock-based compensation (expense) recovery of $0.1 million and ($0.3), respectively, research and product development costs were $3.7 million in the fourth quarter of 2014, an increase of $1.3 million, or 56%, compared to the fourth quarter of 2013. The 56% increase was driven primarily by lower government funding due to lower recoveries in Denmark by Dantherm Power, combined with lower government recoveries in Canada as we successfully concluded the multi-year SDTC Bus award in 2014 with the introduction of the FCvelocity(R)-HD7, Ballard's next-generation of fuel cell bus power module. In addition, the (2%) decline in engineering services revenues in the fourth quarter of 2014 resulted in slightly lower engineering staff resources being redirected to revenue generating engineering service projects.

Research and product development expenses for the year ended December 31, 2014 were $14.3 million, a decrease of ($2.8) million, or (16%), compared to the corresponding period of 2013. Excluding depreciation and amortization expense of ($3.2) million and ($3.3) million, respectively, and stock-based compensation expense of ($0.6) million and ($1.2) million, respectively, research and product development costs were $10.4 million in 2014, a decline of ($2.2) million, or (17%), compared to 2013. The (17%) reduction was driven by the 43% increase in engineering services revenues in 2014 resulting in significantly increased engineering staff resources being redirected to revenue generating engineering service projects, combined with lower labour costs in 2014 as a result of a 7% lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. These benefits were partially offset by lower government funding due to lower recoveries in Denmark by Dantherm Power and by lower government recoveries in Canada as we successfully concluded the multi-year SDTC Bus award in 2014

with the introduction of the FCvelocity(R)-HD7, Ballard's next-generation of fuel cell bus power module.

Government research funding is reflected as a cost offset to research and product development expenses, whereas labour and material costs incurred on revenue producing engineering services projects are reallocated from research and product development expenses to cost of goods sold.

Depreciation and amortization expense included in research and product development expense relates primarily to depreciation expense on our manufacturing equipment and amortization expense on our intangible assets and was relatively consistent period over period.

Stock-based compensation expense included in research and product development expense (recovery) for the three months and year ended December 31, 2014 was ($0.1) million and $0.6 million, respectively, compared to $0.3 million and $1.2 million, respectively, for the corresponding periods of 2013. Stock-based compensation declined in 2014 as a result of a downward adjustment to accrued stock-based compensation expense made in the fourth quarter of 2014 as certain outstanding restricted share units ultimately failed to meet the vesting criteria due to under-performance against our 2014 corporate performance targets.

General and administrative expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
General and administrative	**2014**	**2013**	$ Change	% Change
General and administrative expense	**$ 2,085**	**$ 2,672**	$ (587)	(22%)
Less: Depreciation and amortization expense	**$ (44)**	**$ (42)**	$ (2)	(5%)
Less: Stock-based compensation recovery (expense)	**$ 432**	**$ (685)**	$ 1,117	163%
General and administrative (operating cost)	**$ 2,473**	**$ 1,945**	$ 528	27%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
General and administrative	**2014**	**2013**	$ Change	% Change
General and administrative expense	**$ 10,126**	**$ 10,545**	$ (419)	(4%)
Less: Depreciation and amortization expense	**$ (183)**	**$ (177)**	$ (6)	(3 %)
Less: Stock-based compensation expense	**$ (816)**	**$ (2,105)**	$ 1,289	61 %
General and administrative (operating cost)	**$ 9,127**	**$ 8,263**	$ 864	10 %

General and administrative expenses for the three months ended December 31, 2014 were $2.1 million, a decrease of ($0.6) million, or (22%), compared to the corresponding period of 2013. Excluding relatively insignificant depreciation and amortization expense in each of the periods, and stock-based compensation (expense) recovery of $0.4 million and ($0.7) million, respectively, general and administrative costs were $2.5 million in the fourth quarter of 2014, an increase of $0.5 million, or 27%, compared to the fourth quarter of 2013.

General and administrative expenses for the year ended December 31, 2014 were $10.1 million, a decrease of ($0.4) million, or (4%), compared to the corresponding period of 2013. Excluding relatively insignificant depreciation and amortization expense in each of the periods, and stock-based compensation expense of ($0.8) million and ($2.1) million,

respectively, general and administrative costs in 2014 were $9.1 million, an increase of $0.9 million, or 10%, compared to 2013.

The respective 27% and 10% increases in 2014 were primarily as a result of higher legal and transaction related expenses incurred in 2014 as a result of the Azure Telecom Backup License Power Agreement and related contract breaches, the UTC and H2 Logic A/S intellectual property acquisitions and the subsequent Volkswagen IP Agreement, and by higher patent renewal costs related to the acquired UTC intellectual property portfolio, and by higher human resources expenses related primarily to CEO search and transition expenses. These cost pressures in 2014 more than offset lower labour costs in 2014 as a result of a 7% lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

Depreciation and amortization expense included in general and administrative expense relates primarily to depreciation expense on our office equipment and was relatively consistent period over period.

Stock-based compensation expense (recovery) included in general and administrative expense for the three months and year ended December 31, 2014 was ($0.4) million and $0.8 million, respectively, compared to $0.7 million and $2.1 million, respectively, for the corresponding periods of 2013. Stock-based compensation declined in 2014 as a result of a downward adjustment to accrued stock-based compensation expense made in the fourth quarter of 2014 as certain outstanding restricted share units ultimately failed to meet the vesting criteria due to under-performance against our 2014 corporate performance targets.

Sales and marketing expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Sales and marketing	**2014**	2013	$ Change	% Change
Sales and marketing expense	**$ 1,827**	$ 1,934	$ (107)	(6%)
Less: Stock-based compensation expense	**$ (169)**	$ (22)	$ (147)	(668%)
Sales and marketing (operating cost)	**$ 1,658**	$ 1,912	$ (254)	(13%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Sales and marketing	**2014**	2013	$ Change	% Change
Sales and marketing expense	**$ 7,589**	$ 7,661	$ (72)	(1%)
Less: Stock-based compensation expense	**$ (785)**	$ (432)	$ (353)	(82%)
Sales and marketing (operating cost)	**$ 6,804**	$ 7,229	$ (425)	(6%)

Sales and marketing expenses for the three months ended December 31, 2014 were $1.8 million, a decrease of ($0.1) million, or (6%), compared to the corresponding period of 2013. Excluding stock-based compensation expense of ($0.2) million and nil million, respectively, sales and marketing costs were $1.7 million in the fourth quarter of 2014, a decrease of ($0.3) million, or (13%), compared to the fourth quarter of 2013.

Sales and marketing expenses for the year ended December 31, 2014 were $7.6 million, a decrease of ($0.1) million, or (1%), compared to the corresponding period of 2013. Excluding stock-based compensation expense of ($0.8) million and ($0.4) million,

respectively, sales and marketing costs were $6.8 million in 2014, a decrease of ($0.4) million, or (6%), compared to 2013.

The respective (13%) and (6%) decreases in 2014 were primarily as a result of lower labour costs as a result of a 7% lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base combined with lower accrued sales compensation as a result of under-performance against our 2014 revenue performance targets.

Stock-based compensation expense included in sales and marketing expense for the three months and year ended December 31, 2014 was $0.2 million and $0.8 million, respectively, compared to nil million and $0.4 million, respectively, for the corresponding periods of 2013. Stock-based compensation increased in 2014 as a result of new long-term awards granted to recently hired sales leadership positions which more than offset a downward adjustment to accrued stock-based compensation expense as certain outstanding restricted share units ultimately failed to meet the vesting criteria due to under-performance against our 2014 corporate performance targets

Other expense for the three months and year ended December 31, 2014 was $6.2 million and $6.3 million, respectively, compared to $0.3 million and $0.9 million, respectively, for the corresponding periods of 2013. The following tables provide a breakdown of other expense for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2014	2013	$ Change	% Change
Impairment loss on trade receivables	**$ 6,159**	**$ 228**	$ 5,931	2,601%
Restructuring expense	**78**	**46**	32	70%
Acquisition charges	**-**	**-**	-	-
Other expenses	**$ 6,237**	**$ 274**	$ 5,963	2,176%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	Change
Impairment loss on trade receivables	**$ 6,206**	**$ 222**	$ 5,984	2,695%
Restructuring expense	**85**	**568**	(483)	(85%)
Acquisition charges	**-**	**78**	(78)	(100%)
Other expenses	**$ 6,291**	**$ 868**	$ 5,423	625%

Impairment loss on trade receivables for the three months and year ended December 31, 2014 was ($6.2) million, compared to ($0.2) million for the corresponding periods of 2013. Impairment loss on trade receivables in 2014 consists of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) million related to non-collection of certain of our customers primarily in Asia. In the event that we are able to recover on these accounts in 2015 through legal or other means, the recovered amount will be recognized in the period of recovery as a reversal of the impairment loss.

Restructuring charges of ($0.6) million in 2013 relate primarily to minor restructurings focused on overhead cost reduction.

Finance income (loss) and other for the three months and year ended December 31, 2014 was ($0.5) million and ($0.1) million, respectively, compared to $0.5 million and $0.2 million, respectively, for the corresponding periods of 2013. The following tables provide a breakdown of finance and other income (loss) for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2014	2013	$ Change	% Change
Employee future benefit plan expense	**$ (48)**	**$ (92)**	$ 44	48%
Pension administration expense	**(7)**	**-**	(7)	(100%)
Investment and other income	**44**	**54**	(10)	(19%)
Foreign exchange gain (loss)	**(512)**	**584**	(1,095)	(188%)
Finance income (loss) and other	**$ (523)**	**$ 546**	$ (1,069)	(196%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2014	2013	$ Change	% Change
Employee future benefit plan expense	**$ (183)**	**$ (282)**	$ 99	35%
Pension administration expense	**(100)**	**(61)**	(39)	(64%)
Settlement of TPC funding obligation	**-**	**(1,197)**	1,197	100%
Investment and other income	**139**	**141**	(2)	(2%)
Foreign exchange gain (loss)	**31**	**1,553**	(1,522)	(98%)
Finance income (loss) and other	**$ (113)**	**$ 154**	$ (267)	(173%)

Employee future benefit plan expense for the three months and year ended December 31, 2014 were ($0.1) million and ($0.2) million, respectively, generally consistent with the corresponding periods of 2013. Employee future benefit plan expense primarily represents the excess of expected interest cost on plan obligations in excess of the expected return on plan assets related to a curtailed defined benefit pension plan for certain former United States employees. Pension administration expense of ($0.1) million for the years ended December 31, 2014 and 2013 represent administrative costs incurred in managing the plan.

Settlement expense related to the TPC funding obligation of ($1.2) million recorded in 2013 represents the excess of the settlement amount of $1.9 million over royalty amounts accrued as of the date of settlement of $0.7 million. On January 15, 2013, we reached an agreement with Technology Partnerships Canada (“TPC”) to terminate all existing and future potential royalties payable in respect of future sales of fuel cell based stationary power products under the Utilities Development Program (Phase 2) in exchange for a final repayment to TPC of $1.9 million Canadian.

Foreign exchange gains (losses) for the three months and year ended December 31, 2014 were ($0.5) million and nil, respectively, compared to $0.6 million and $1.6 million, respectively, for the corresponding periods of 2013. Foreign exchange gains and losses are attributable primarily 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. Foreign exchange gains and losses are also impacted by the conversion of Dantherm

Power's assets and liabilities from the Danish Kroner to the U.S. dollar at exchange rates in effect at each reporting date.

Finance expense for the three months and year ended December 31, 2014 was ($0.2) million and ($0.9) million, respectively, compared to ($0.3) million and ($1.5) million, respectively, for the corresponding periods of 2013. Finance expense relates primarily to the sale and leaseback of our head office building in Burnaby, British Columbia which was completed on March 9, 2010. Due to the long term nature of the lease, the leaseback of the building qualifies as a finance (or capital) lease. Finance expense in 2013 also includes interest expense on convertible debt issued by our subsidiary Dantherm Power. On November 27, 2013, all of the convertible debt issued by Dantherm Power was exercised and converted into shares of Dantherm Power.

Impairment loss on investment for the three months and year ended December 31, 2014 was $nil and ($0.2) million, respectively, compared to ($0.2) million and ($0.5) million, respectively, for the corresponding periods of 2013. The loss consists of impairment charges related to our now disposed of non-core investment in Chrysalix Energy Limited Partnership ("Chrysalix") as it was written down to its net realizable value of $nil.

Net loss attributed to non-controlling interests for the three months and year ended December 31, 2014 was ($0.6) million and ($1.6) million, respectively, compared to ($0.2) million and ($1.7) million, respectively, for the corresponding periods of 2013. Amounts represent the non-controlling interest of Dantherm A/S and Azure in the losses of Dantherm Power as a result of their 48% total equity interest in 2014 and the second, third and fourth quarters of 2013 and their 43% total equity interest in the first quarter of 2013.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

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

(Expressed in thousands of U.S. dollars, except per share amounts and weighted average shares outstanding which are expressed in thousands)	Quarter ended,			
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Revenues from continuing operations	$ 15,647	$ 20,611	$ 18,471	$ 13,992
Net income (loss) attributable to Ballard from continuing operations	$ (18,021)	$ (2,423)	$ (4,457)	$ (3,841)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.13)	$ (0.02)	$ (0.03)	$ (0.03)
Weighted average common shares outstanding	132,104	132,049	130,392	114,756

	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Revenues	$ 17,316	$ 17,003	$ 14,597	$ 12,335
Net income (loss) attributable to Ballard	$ (2,274)	$ (4,574)	$ (5,203)	$ (7,936)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.02)	$ (0.05)	$ (0.05)	$ (0.09)
Weighted average common shares outstanding	109,113	99,364	99,233	92,233

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

- **Revenues**: Variations in fuel cell revenues reflect the demand and timing of our customers' fuel cell vehicle, bus and fuel cell product deployments as well as the demand and timing of their engineering services projects.

  Variations in fuel cell revenues also reflect the timing of work performed and the achievements of milestones under long-term fixed price contracts including the contract with Volkswagen which commenced in the first quarter of 2013, the Azure Bus Licensing Agreement which commenced in the third quarter of 2013 and the Azure Telecom Backup Power Licensing Agreement which commenced in the second quarter of 2014 prior to contract breaches by Azure of both the Azure Bus Licensing Agreement and the Azure Telecom Backup Power Licensing Agreement in the fourth quarter of 2014.

- **Operating expenditures**: Operating expenses were negatively impacted by impairment losses on trade receivables in the fourth quarter of 2014 of ($6.2) million consisting of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) million related to non-collection of certain of our customers primarily in Asia. Impairment losses on trade receivables are recognized in other expense. 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.

- **Finance income (loss):** The net loss for the first quarter of 2013 was negatively impacted by a charge of ($1.2) million related to the settlement of a TPC funding obligation.

CASH FLOWS

Cash, cash equivalents and short-term investments were $23.7 million at December 31, 2014, compared to $30.3 million at December 31, 2013. The ($6.6) million decrease in cash, cash equivalents and short-term investments in 2014 was driven by a net loss (excluding non-cash items) of ($15.7) million, by net working capital requirements of ($5.0) million, and by investing activities of ($4.2) million related primarily to the acquisition and integration of UTC's intellectual property assets. These outflows were partially offset by net proceeds from share purchase warrant exercises of $12.3 million and employee share purchase option proceeds of $6.8 million.

For the three months ended December 31, 2014, cash used by operating activities was ($8.2) million, consisting of cash operating losses of ($10.8) million, partially offset by net working capital inflows of $2.6 million. For the three months ended December 31, 2013, cash used by operating activities was ($0.9) million, consisting of cash operating losses of ($0.1) million and net working capital outflows of ($0.8) million. The ($7.3) million increase in cash used by operating activities in the fourth quarter of 2014, as compared to the fourth quarter of 2013, was driven by the relative increase in cash operating losses of ($10.7) million, partially offset by the improvement in net working capital inflows of $3.4 million.

The ($10.7) million increase in cash operating losses was due primarily to the ($16.2) million increase in Adjusted EBITDA loss, partially offset by the increase in impairment losses on trade receivables of $6.0 million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses. In the fourth quarter of 2014, net working capital cash inflows of $2.6 million was due primarily to higher accrued warranty provisions of $3.5 million primarily related to an adjustment for an expected increase in customer service related expenses in our Telecom Backup Power market in Asia, combined with lower inventory of $2.6 million as we shipped product purchased and built in prior quarters. These fourth quarter of 2014 working capital inflows were partially offset by lower accounts payable and accrued liabilities of ($3.7) million as a result of increased supplier payments made for higher inventory purchases in the first three quarter of 2014 and by a downward adjustment to accrued cash-based compensation expense in the fourth quarter of 2014 as a result of under-performing against our 2014 corporate performance targets. Working capital outflows of ($0.8) million in the fourth quarter of 2013 was due primarily to lower accounts payable and accrued liabilities of ($6.9) million as a result of increased supplier payments made for higher inventory purchases in the first three quarters of 2013, partially offset by lower accounts receivable of $4.6 million due to significant customer collections in the fourth quarter of 2013, and by lower inventory levels of $1.5 million.

For the year ended December 31, 2014, cash used in operating activities was ($20.7) million, consisting of cash operating losses of ($15.7) million and net working capital outflows of ($5.0) million. For the year ended December, 2013, cash used by operating activities was ($17.4) million, consisting of cash operating losses of ($11.8) million and working capital outflows of ($5.6) million. The ($3.3) million increase in cash used by operating activities in 2014, as compared to 2013, was driven by the relative increase in cash operating losses of ($3.9) million, partially offset by lower relative working capital requirements of $0.6 million. The ($3.9) million increase in cash operating losses was due primarily to the ($10.4) million increase in Adjusted EBITDA loss, partially offset by the increase in impairment losses on trade receivables of $6.0 million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses. In 2014, net working capital outflows of ($5.0) million was driven by lower accounts receivable of ($4.1) million primarily as a result of impairment losses on trade receivables of ($6.2) million and the timing of Engineering Services, Bus and Telecom Backup Power revenues and the related customer collections, and by lower deferred revenue of ($4.4) million as we completed the contract work on Engineering Services and SDTC government grant contracts for which we received pre-payments in an earlier period. These working capital outflows in 2014 were partially offset by working capital inflows related to higher accrued warranty provisions of $2.4 million primarily as a result of an adjustment primarily for an expected increase in customer service related expenses in our Telecom Backup Power market in Asia, and by lower inventory of $1.5 million as we shipped product purchased and built in prior quarters. In 2013, net working capital outflows of ($5.6) million were driven by lower accounts payable and accrued liabilities of ($5.0) million as a result of increased supplier payments made for higher inventory purchases in the fourth quarter of 2013, and by higher inventory of ($2.9) million due to the buildup of inventory to support expected higher product shipments in 2014. These 2013 working capital outflows were partially offset by lower accounts receivable of $1.7 million primarily as a result of the timing of Bus and Telecom

Backup Power revenues and the related customer collections, and by higher deferred revenue of $2.4 million as we received Engineering Services and SDTC government grant receipts in advance of incurring the related contract work.

Investing activities resulted in cash outflows of ($0.5) million and ($4.2) million, respectively, for the three months and year ended December 31, 2014, compared to cash outflows of ($0.1) million and inflows of $20.9 million for the corresponding periods of 2013. Changes in short-term investments resulted in cash inflows of nil for the three months and year ended December 31, 2014, compared to cash inflows of nil and $12.1 million, respectively, for the corresponding periods of 2013. Balances change between cash equivalents and short-term investments as we make investment decisions with regards to the term of investments and our future cash requirements. Other cash investing activities in 2014 consist primarily of the investment in fuel cell technology of ($3.4) million related primarily to the acquisition and integration of the UTC intellectual property assets, and capital expenditures of ($0.8) million. Other cash investing activities in 2013 consist primarily of net proceeds of $9.1 million received on the disposition of the former Material Products segment.

Financing activities resulted in cash outflows of ($0.2) million and cash inflows of $18.5 million, respectively, for the three months and year ended December 31, 2014, compared to cash inflows of $10.5 million and $16.9 million, respectively, for the corresponding periods of 2013. Financing activities in 2014 include net proceeds from share purchase warrant exercises of $12.3 million and employee share purchase option proceeds of $6.8 million. Financing activities in 2013 include net October 2013 Offering proceeds of $13.1 million, net March 2013 Offering proceeds of $6.8 million, Anglo Note financing of $4.0 million, and proceeds related to the Azure investment in Dantherm Power of $2.0 million. These financing cash inflows in 2013 were partially offset by the full repayment of ($9.1) million against our Operating Facility which was used to assist with the financing of our working capital requirements and by finance lease payments of ($1.0) million.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014, we had total Liquidity of $23.7 million. We measure Liquidity as our net cash position, consisting of the sum of our cash, cash equivalents and short-term investments of $23.7 million, net of amounts drawn on our $7 million Canadian demand revolving facility (“Operating Facility”) of nil. The Operating Facility is occasionally used to assist in financing our short term working capital requirements and is secured by a hypothecation of our cash, cash equivalents and short-term investments. Our Liquidity position was augmented in February 2015 by initial net proceeds of approximately $30 million received from the subsequent Volkswagen IP Agreement with further net proceeds of approximately $9 million expected to be received on or before February 2016.

We also have a $1.8 million Canadian capital leasing facility (“Leasing Facility”) which is occasionally used to finance the acquisition and / or lease of operating equipment and is secured by a hypothecation of our cash, cash equivalents and short-term investments. At December 31, 2014, $1.2 million Canadian was outstanding on the Leasing Facility.

Our Liquidity objective is to maintain cash balances sufficient to fund at least six quarters of forecasted cash used by operating activities at all times. Our strategy to attain this objective

is to continue our drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on Fuel Cell Products and Services revenue growth, improving overall gross margins, minimizing Cash Operating Costs, managing working capital requirements, and securing additional financing to fund our operations as needed until we do achieve profitable operations that are sustainable. As a result of our recent actions to bolster our cash balances including the subsequent Volkswagen IP Agreement, the March and October 2013 equity Offerings and the exercise of certain of the related share purchase warrants in 2014, the disposition of the Material Products division in 2013, and the issuance and conversion of the Anglo Note, we believe that we have adequate liquidity in cash and working capital to meet this Liquidity objective and to finance our operations.

Failure to achieve or maintain this Liquidity objective could have a material adverse effect on our financial condition and results of operations including our ability to continue as a going concern. There are also various risks and uncertainties affecting our ability to achieve this Liquidity objective including, but not limited to, the market acceptance and rate of commercialization of our products, the ability to successfully execute our business plan, and general global economic conditions, certain of which are beyond our control. While we continue to make significant investments in product development and market development activities necessary to commercialize our products, and make increased investments in working capital as we grow our business, our actual liquidity requirements will also vary and will be impacted by 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, service and licensing opportunities, our success in managing our operating expense and working capital requirements, foreign exchange fluctuations, and the progress and results of our research, development and demonstration programs.

In addition to our existing cash reserves of $23.7 million at December 31, 2014 (augmented in February 2015 by initial net proceeds of approximately $30 million received from the subsequent Volkswagen IP Agreement), there are 0.25 million warrants outstanding (expire on March 27, 2018) from the March 2013 Offering each of which enables the holder to purchase one common share at a fixed price of $1.50 per common share, and 1.7 million warrants outstanding (expire on October 9, 2018) from the October 2013 Offering each of which enable the holder to purchase one common share at a fixed price of $2.00 per common share. If any of these warrants are exercised, our liquidity position would be further augmented. We may also choose to pursue additional liquidity through the issuance of debt or equity in private or public market financings. To enable such an action and to allow the exercise of warrants, we filed a short form base shelf prospectus (“Prospectus”) in May 2014 in each of the provinces and territories of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 (“Registration Statement”) with the United States Securities and Exchange Commission. These filings enable offerings of equity securities during the effective period (to June 2016) of the Prospectus and Registration Statements. However, no assurance can be given that any such additional liquidity will be available or that, if available, it can be obtained on terms favorable to the Company.

2015 BUSINESS OUTLOOK

We expect the positive top-line growth trends in 2012 through 2014 to continue in 2015 as we continue to pursue our growth strategy for fuel cell product sales, engineering services and intellectual property licensing and sale.

While our strategic focus on multiple fuel cell product markets, engineering services and intellectual property monetization serves to mitigate risk, the resulting cadence in customer demand can be uneven through the early stages of market development. As such, our financial results on a quarterly basis are subject to a high degree of variability. Further, given this early stage of fuel cell market development and adoption rate, we have decided not to provide formal guidance for 2015.

Our outlook for 2015 is based on our internal forecast which reflects an assessment of overall business conditions and takes into account actual sales in the first six weeks of 2015, sales orders received for units and services to be delivered in the remainder of 2015, an estimate with respect to the generation of new sales and the timing of deliveries in each of our markets for the balance of 2015, and assumes an average U.S. dollar exchange rate in low 80's in relation to the Canadian dollar for the remainder of 2015. The primary risk factors to our business outlook for 2015 are delays from forecast in terms of closing and delivering expected sales primarily in our Telecom Backup Power and Bus markets, potential disruptions in the Material Handling market as a result of our reliance on a single customer in this market, and fluctuations in the Canadian dollar, relative to the U.S. dollar, as a significant portion of our Engineering Services revenues (including the technology development and engineering services agreement with Volkswagen) are priced in Canadian dollars.

Furthermore, potential fluctuations in our financial results make financial forecasting difficult. The Company's revenues, cash flows and other operating results can vary significantly from quarter to quarter. Sales and margins may be lower than anticipated due to general economic conditions, market-related factors and competitive factors. Cash receipts may also vary from quarter to quarter due to the timing of cash collections from customers. As a result, quarter-to-quarter comparisons of revenues, cash flows and other operating results may not be meaningful. In addition, due to the early stage of development of the market for hydrogen fuel cell products, it is difficult to accurately predict future revenues, cash flows or results of operations on a quarterly basis. It is likely that in one or more future quarters, financial results will fall below the expectations of securities analysts and investors. If this occurs, the trading price of the Company's shares may be materially and adversely affected.

OFF-BALANCE SHEET ARRANGEMENTS & CONTRACTUAL OBLIGATIONS

Periodically, we use forward foreign exchange and forward platinum purchase contracts to manage our exposure to currency rate fluctuations and 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 either (i) recorded in our statement of comprehensive income if formally designated and qualified under hedge accounting criteria; or (ii) recorded in our statement of operations if either not designated, or not qualified, under hedge accounting criteria. At December 31, 2014, we had no outstanding foreign exchange currency contracts

and outstanding platinum forward purchase contracts to purchase $1.0 million of platinum at an average rate of $1,400 per troy ounce, resulting in an unrealized loss of ($0.1) million at December 31, 2014.

At December 31, 2014, 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.

At December 31, 2014, 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	**$ 14,340**	$ 2,358	$ 4,895	$ 4,291	$ 2,796
Capital leases	**14,249**	1,680	3,020	2,403	7,146
Asset retirement obligations	**5,205**	-	-	-	5,205
Total contractual obligations	**$ 33,794**	$ 4,038	$ 7,915	$ 6,694	$ 15,147

In addition, we have outstanding commitments of $0.2 million related primarily to purchases of capital assets at December 31, 2014. Capital expenditures pertain to our regular operations and are expected to be funded through cash on hand.

In connection with the acquisition of intellectual property from UTC on April 24, 2014, we retain a royalty obligation to pay UTC a portion (typically 25%) of any future intellectual property sale and licensing income generated from our intellectual property portfolio for a period of 15-years expiring in April 2029.

As of December 31, 2014, we retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of CDN $5.4 million) on sales of certain fuel cell products for commercial distributed utility applications. No royalties have been incurred to date as a result of this agreement. We also retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of CDN $2.2 million) on sales on certain fuel cell products for commercial transit applications. No royalties have been incurred to date as a result of this agreement.

In the ordinary course of business or as required by certain acquisition or disposition agreements, we are periodically required to provide certain indemnities to other parties. Our Arrangement with Superior Plus includes an indemnification agreement dated December 31, 2008 (the "Indemnity Agreement"), which sets out each party's continuing obligations to the other. The Indemnity Agreement has two basic elements to the final determination date of December 31, 2015: it provides for the indemnification of each party by 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 CDN $7.4 million with a threshold amount of CDN $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, 2014, we have not accrued any amount owing, or receivable, as a result of the Indemnity Agreement or any other indemnity agreements undertaken in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in either us or Dantherm Power, together with their subsidiaries and affiliates. 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 at fair value. For the three months and year ended December 31, 2014 and 2013, related party transactions and balances are limited to transactions between Dantherm Power and its non-controlling interests as follows:

(Expressed in thousands of U.S. dollars)	Three Months Ended December 31,	
Transactions with related parties	**2014**	2013
Purchases	**$ 39**	$ 97
Finance expense on Dantherm Power debt to Dantherm Power non-controlling interests	**$ 8**	$ 64

(Expressed in thousands of U.S. dollars)	Year Ended December 31,	
Transactions with related parties	**2014**	2013
Purchases	**$ 175**	$ 185
Finance expense on Dantherm Power debt to Dantherm Power non-controlling interests	**$ 34**	$ 322

(Expressed in thousands of U.S. dollars)	As at December 31,	
Balances with related parties	**2014**	2013
Trade accounts payable	**$ 70**	$ 139
Interest payable	**$ 45**	$ 16
Dantherm Power debt to Dantherm Power non-controlling interests	**$ 484**	$ 550

On November 27, 2013, all of the convertible debt issued by our subsidiary Dantherm Power to the non-controlling interests in Dantherm Power was exercised and converted into shares of Dantherm Power. The conversion did not impact the respective ownership of Dantherm Power with Ballard retaining a 52% ownership interest as compared to a 38% interest held by Dantherm A/S and a 10% interest held by Azure. On conversion, the convertible debt (including interest payable) held by the non-controlling interests, Dantherm A/S and Azure, totaling $3.5 million, was reclassified on Ballard's statement of financial position from debt to equity. As of December 31, 2014, the outstanding Dantherm Power debt (including interest) to Dantherm Power non-controlling interests totals $0.5 million, bears interest at 6.0% per annum, is non-convertible, and is repayable by December 31, 2015 (subsequently extended to December 31, 2016).

OUTSTANDING SHARE DATA

As at February 25, 2015	
Common share outstanding	132,277,232
Warrants outstanding	1,797,563
Options outstanding	4,070,038

CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Our consolidated financial statements are prepared in accordance with IFRS, which require us to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Judgments in Applying Accounting Policies:

Critical judgments that we have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is limited to our assessment of the Corporation's ability to continue as a going concern (See Note 2 (e) to our annual consolidated financial statements).

Our significant accounting policies are detailed in note 4 to our annual consolidated financial statements for the year ended December 31, 2014.

Key Sources of Estimation Uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, income and expenses within the next financial year.

REVENUE RECOGNITION

Revenues are generated primarily from product sales and services, the license and sale of intellectual property, and the provision of engineering services. Product and service revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Intellectual property license and sale revenues are derived primarily from license and sale agreements and from long-term fixed price contracts. Engineering service revenues are derived primarily from cost-plus reimbursable contracts and from long-term fixed price contracts.

On standard equipment and material sales contracts, revenues are recognized when (i) significant risks and rewards of ownership of the goods has been transferred to the buyer; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the sale will accrue to us; and (v) the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. 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 standard license and sale agreements, revenues are recognized on the transfer of the rights to the licensee if (i) the rights to the assets are assigned to the licensee in return for a fixed fee or a non-refundable guarantee; (ii) the contract is non-cancellable; (iii) the licensee is able to exploit its rights to the asset freely; and (iv) the licensor has no remaining obligations to perform. Otherwise, the proceeds are considered to relate to the right to use the asset over the license period and the revenue is recognized over that period. Revenue recognition for license and sale agreements 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 estimation 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 three months and year ended December 31, 2014 and 2013, there was no material adjustments to revenues relating to revenue recognized in a prior period.

ASSET IMPAIRMENT

The carrying amounts of our non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated at least annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, the price that would be received on the sale of an asset in an orderly transaction between market participants at the measurement date is estimated. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. The allocation of goodwill to cash-generating units reflects the lowest level at which goodwill is monitored for internal reporting purposes. Many of the factors used in assessing fair value are outside the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments. For example, our revenue growth rate could be lower than projected due to economic, industry or competitive factors, or the discount rate used in our value in use model could increase due to a change in market interest rates. In addition, future goodwill impairment charges may be necessary if our market capitalization decreased due to a decline in the trading price of our common stock, which could negatively impact the fair value of our operating segments.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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. Under IFRS, the annual review of goodwill requires a comparison of the carrying value of the asset to the higher of (i) 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. As of December 31, 2014, our consolidated goodwill balance of $36.3 million relates solely to our Fuel Cell Products and Services segment. Based on the impairment test performed as at December 31, 2014, we have concluded that no goodwill impairment charge is required for the year ending December 31, 2014. Details of our 2014 goodwill impairment tests are as follows:

- One of the methods used to assess the recoverable amount of the goodwill is a fair value, less costs to sale, test. Our fair value test is in effect a modified market capitalization assessment, whereby we calculate the fair value of the Fuel Cell Products and Services segment by first calculating the value of the Company at December 31, 2014 based on the average closing share price in the month of December, add a reasonable estimated control premium of 25% to determine the Company's enterprise value on a controlling basis after adjusting for excess cash balances, and then deducting the estimated costs to sell from this enterprise value to arrive at the fair value of the Fuel Cell Products segment. As a result of this assessment, we have determined that the fair value of the Fuel Cell Products segment exceeds its carrying value by a significant amount as of December 31, 2014 indicating that no impairment charge is required for 2013.

- In addition to this fair value test, we also performed a value in use test on our Fuel Cell Products and Services segment that compared the carrying value of the segment to the present value of future cash flows expected to be derived from the segment. The principal factors used in this discounted cash flow analysis requiring significant estimation are the projected results of operations, the discount rate based on the weighted average cost of capital ("WACC"), and terminal value assumptions. Our value in use test was based on a WACC of 15%; an average estimated compound annual growth rate of approximately 27% from 2014 to 2019; and a terminal year EBITDA multiplied by a terminal value multiplier of 10.0. Our value in use assessment resulted in an estimated fair value for the Fuel Cell Products and Services segment that is consistent with that as determined under the above fair value, less costs to sell, assessment. As a result of this assessment, we have determined that the fair value of the Fuel Cell Products segment exceeds its carrying value by a significant amount as of December 31, 2014 indicating that no impairment charge is required for 2014.

In addition to the above goodwill impairment test, we perform a quarterly assessment of the carrying amounts of our non-financial assets (other than inventories) to determine whether there is any indication of impairment. During the three months and years ended December, 2014 and 2013, there was no material adjustments to non-financial assets (other than inventories) relating to these reviews.

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 three months and year ended December 31, 2014, we recorded provisions to accrued warranty liabilities of $0.5 million and $1.0 million, respectively, for new product sales, compared to $0.1 million and $1.3 million, respectively, for the three months and year ended December 31, 2013.

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 three months and year ended December 31, 2014 were adjusted (upwards) by a net amount of ($3.6) million and ($3.4) million, respectively, compared to a net adjustment downwards of $1.3 million and $1.8 million, respectively, for the three months and year ended December 31, 2013. The negative adjustments to the accrued warranty liability provisions in 2014 were primarily due to an increase in customer service related expenses in our Telecom Backup Power market in Asia, whereas the positive adjustments to the accrued warranty liability provision in 2013 were due primarily to contractual warranty expirations and improved lifetimes and reliability of our fuel cell bus 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 three months and year ended December 31, 2014, negative inventory adjustments of ($0.7) million and ($1.4) million, respectively, were recorded as a charge to cost of product and service revenues, compared to ($0.5) million and ($0.8) million, respectively, for the three months and year ended December 31, 2013.

EMPLOYEE FUTURE BENEFITS

The present value of our defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Determination of benefit expense requires assumptions such as the discount rate to measure obligations, expected plan investment performance, expected healthcare cost trend rate, and retirement ages of employees. Actual results will differ from the recorded amounts based on these estimates and assumptions.

INCOME TAXES

We use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the deferred 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 deferred tax asset or liability are included in income.

Deferred 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 deferred income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As of December 31, 2014 and 2013, we have not recorded any deferred income tax assets on our consolidated statement of financial position.

NEW AND FUTURE IFRS ACCOUNTING POLICIES

Recently Adopted Accounting Policy Changes:

As required by IFRS, we adopted the following accounting standard changes and amendments effective January 1, 2014.

AMENDMENTS to IAS 32 – OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" clarifies that an entity currently has a legally enforceable right to set-off if that right is:

(a) not contingent on a future event; and

(b) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The adoption of the amendments to IAS 32 does not have a material impact on our consolidated financial statements.

AMENDMENTS to IAS 39 – NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" add a limited exception to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

The adoption of the amendments to IAS 39 did not have a material impact on our consolidated financial statements.

Future Accounting Policy Changes:

The following is an overview of accounting standard changes that we will be required to adopt in future years. We do not expect to adopt any of these standards before their effective dates and we continue to evaluate the impact of these standards on our consolidated financial statements.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption.

The Corporation intends to adopt IFRS 15 in its financial statements for the fiscal year beginning on January 1, 2017. The extent of the impact of adoption has not yet been determined.

IFRS 9 – FINANCIAL INSTRUMENTS

In July 2014, the IASB issued IFRS 9 Financial Instruments ("IFRS 9"), which replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The Corporation intends to adopt IFRS 9 in its financial statements for the fiscal year beginning January 1, 2018. The extent of the impact of adoption has not yet been determined.

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, and Normalized Net Loss. 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, impairment losses on trade receivables, restructuring charges, acquisition costs and financing charges. The following tables show a reconciliation of operating expenses to Cash Operating Costs from continuing operations for the three and months and year ended December 31, 2014 and 2013:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Cash Operating Costs	**2014**	2013	$ Change
Total Operating Expenses	**$ 14,659**	$ 8,516	$ 6,143
Stock-based compensation recovery (expense)	**367**	(1,002)	1,369
Impairment losses on trade receivables	**(6,159)**	(228)	(5,931)
Acquisition and integration costs	**-**	-	-
Restructuring charges	**(78)**	(46)	(32)
Financing charges	**-**	-	-
Depreciation and amortization	**(958)**	(1,009)	51
Cash Operating Costs	**$ 7,831**	$ 6,231	$ 1,600

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Cash Operating Costs	**2014**	2013	$ Change
Total Operating Expenses	**$ 38,300**	$ 36,191	$ 2,109
Stock-based compensation expense	**(2,249)**	(3,775)	1,526
Impairment losses on trade receivables	**(6,206)**	(222)	(5,984)
Acquisition and integration costs	**-**	(78)	78
Restructuring charges	**(85)**	(568)	483
Financing charges	**-**	-	-
Depreciation and amortization	**(3,393)**	(3,464)	71
Cash Operating Costs	**$ 26,367**	$ 28,084	$ (1,717)

EBITDA and 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 loss attributable to Ballard from continuing operations, primarily because it does not include finance expense, income taxes, 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, asset impairment charges, finance and other income, and acquisition costs. The following tables show a reconciliation of net income attributable to Ballard to EBITDA and Adjusted EBITDA from continuing operations for the three months and year ended December 31, 2014 and 2013:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
EBITDA and Adjusted EBITDA	**2014**	2013	$ Change
Net loss from continuing operations attributable to Ballard	**$ (17,467)**	$ (2,274)	$ (15,193)
Depreciation and amortization	**1,448**	1,557	(109)
Finance expense	**234**	268	(34)
Income taxes (recovery)	**(477)**	167	(644)
EBITDA attributable to Ballard	**$ (16,262)**	$ (282)	$ (15,980)
Stock-based compensation expense (recovery)	**(367)**	1,002	(1,369)
Acquisition and integration costs	**-**	-	-
Finance and other (income) loss	**501**	(546)	1,047
Impairment of goodwill	**-**	-	-
Impairment of equity investment	**-**	150	(150)
Loss (gain) on sale of property, plant and equipment	**71**	(153)	224
Adjusted EBITDA	**$ (16,057)**	$ 171	$ (16,228)

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
EBITDA and Adjusted EBITDA	**2014**	2013	$ Change
Net loss from continuing operations attributable to Ballard	**$ (28,188)**	$ (19,988)	$ (8,200)
Depreciation and amortization	**5,610**	5,655	(45)
Finance expense	**942**	1,486	(544)
Income taxes	**417**	485	(68)
EBITDA attributable to Ballard	**$ (21,219)**	$ (12,362)	$ (8,857)
Stock-based compensation expense	**2,249**	3,775	(1,526)
Acquisition and integration costs	**-**	78	(78)
Finance and other (income) loss	**113**	(215)	328
Impairment of goodwill	**-**	-	-
Impairment of equity investment	**149**	513	(364)
Loss (gain) on sale of property, plant and equipment	**73**	23	50
Adjusted EBITDA	**$ (18,635)**	$ (8,188)	$ (10,447)

Normalized Net Loss

This supplemental non-GAAP measure is provided to assist readers in determining our financial performance. We believe this measure is useful in assessing our actual performance by adjusting our results from continuing operations for one-time transactional gains and losses and impairment losses. Normalized Net Loss differs from the most comparable GAAP measure, net loss attributable to Ballard from continuing operations, primarily because it does not include transactional gains and losses and asset impairment charges. The following table shows a reconciliation of net loss attributable to Ballard from continuing operations to Normalized Net Loss for the three months and year ended December 31, 2014 and 2013.

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Normalized Net Loss	**2014**	2013	$ Change
Net loss attributable to Ballard from continuing operations	**$ (17,467)**	$ (2,274)	$ (15,193)
Impairment loss on trade receivables	**6,159**	227	5,932
Impairment of equity investment	**-**	150	(150)
Impairment of goodwill	**-**	-	-
Impairment of property, plant and equipment	**-**	-	-
Normalized Net Loss	**$ (11,308)**	$ (1,897)	$ (9,411)
Normalized Net Loss per share	**$ (0.09)**	$ (0.02)	$ (0.07)

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Normalized Net Loss	**2014**	2013	$ Change
Net loss attributable to Ballard from continuing operations	**$ (28,188)**	$ (19,988)	$ (8,200)
Settlement of TPC funding obligation	**-**	1,197	(1,197)
Impairment loss on trade receivables	**6,206**	222	5,984
Impairment of equity investment	**149**	513	(364)
Impairment of goodwill	**-**	-	-
Impairment of property, plant and equipment	**-**	-	-
Normalized Net Loss	**$ (21,833)**	$ (18,056)	$ (3,777)
Normalized Net Loss per share	**$ (0.17)**	$ (0.18)	$ 0.01

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 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, 2014, 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 IFRS.

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 (2013)* 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, 2014.

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, 2014.

Changes in internal control over financial reporting

During the year ended December 31, 2014, there were no 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. Our design of disclosure controls and procedures and internal controls over financial reporting includes controls, policies and procedures covering Dantherm Power.

RISKS & UNCERTAINTIES

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and in our Annual Information Form. The risks and uncertainties described below and in our Annual Information Form 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 (which 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).

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 working capital requirements, 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;

- 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;
- Warranty claims could negatively impact our gross margins and financial performance;
- We may not be able to successfully execute our business plan;
- In our Engineering Services market, we depend on a single customer for the majority of our revenues;
- In our material handling market, we depend on a single customer for the majority of our revenues;
- Global economic conditions are beyond our control and may have an adverse impact on our business or on our key suppliers and / or customers;
- 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;
- We are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products;
- We are dependent on third party suppliers for the supply of key materials and components for our products and services;
- We currently face and will continue to face significant competition;
- We could lose or fail to attract the personnel necessary to run our business;
- 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 could be liable for environmental damages resulting from our research, development or manufacturing operations; and
- Our products use flammable fuels and some generate high voltages, 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, liquidity, sources of capital and our 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 “Business 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 and service 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 and service 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 or service 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, and working capital requirements; 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.

EXHIBIT 99.3



BALLARD POWER SYSTEMS INC.

ANNUAL INFORMATION FORM

FEBRUARY 26, 2015

TABLE OF CONTENTS

CORPORATE STRUCTURE 2
Name, Address and Incorporation 2
Intercorporate Relationships 2
Recent History 3
Audi IP Asset Transfer 3
Plug LTSA 4
Azure Transactions 4
UTC IP Acquisition 4
October 2013 Public Offering 4
Anglo Investment 5
March 2013 Public Offering 5
Technology Development Agreement with Volkswagen AG 5
Ballard Material Products Assets Sale 6
IdaTech Asset Acquisition 6

OUR BUSINESS 6
Revenues from Market Segments 7
Our Markets, Products and Services 8
Product & Service Overview 8
Fuel Cell Products and Services 9
Commercial Stage Markets 9
Telecom Backup Power 9
Material Handling 10
Development Stage Markets 11
Buses 11
Distributed Generation 13
Technology Solutions 14
Impact of Regulations and Public Policy 14
Research and Product Development 16
Intellectual Property 16
Manufacturing 17
Quality 17
Facilities 18
Human Resources 18

SHARE CAPITAL AND MARKET FOR SECURITIES 18

DIVIDEND RECORD AND POLICY 20

DIRECTORS AND OFFICERS 20
Board of Directors 20
Executive Officers 22
Shareholdings of Directors and Senior Officers 23

AUDIT COMMITTEE MATTERS 24
Audit Committee Mandate 24
Composition of the Audit Committee 24
Audit Fees 26
Audit-Related Fees 26
Tax Fees 26
All Other Fees 26

TRANSFER AGENT AND REGISTRAR 27

LEGAL PROCEEDINGS 27

INTERESTS OF EXPERTS 27

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 27

MATERIAL CONTRACTS 27
Audi IP Asset Transfer 27
Azure Transactions 28
UTC IP Acquisition 28
Technology Development Agreement with Volkswagen AG 29
Ballard Material Products Asset Sale 30
Superior Plus Transaction and Associated Material Contracts 31
Indemnification Arrangements 31

RISK FACTORS 33

ADDITIONAL INFORMATION 43

APPENDIX "A" Audit Committee Mandate 44

Committee Timetable 56

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 working capital requirements, 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; 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; warranty claims could negatively impact our gross margins and financial performance; we may not be able to successfully execute our business plan; in our engineering services market, we depend on a single customer for the majority of our revenues; in our material handling market, we depend on a single customer for the majority of our revenues; we have limited experience manufacturing fuel cell products on a commercial basis; global economic conditions are beyond our control and may have an adverse impact on our business or our key suppliers and/or customers; 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; we are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products; we are dependent on third party suppliers for the supply of key materials and components for our products and services; we currently face and will continue to face significant competition; we could lose or fail to attract the personnel necessary to run our business; 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 could be liable for environmental damages resulting from our research, development or manufacturing operations; our products use flammable fuels and some generate high voltages, 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.

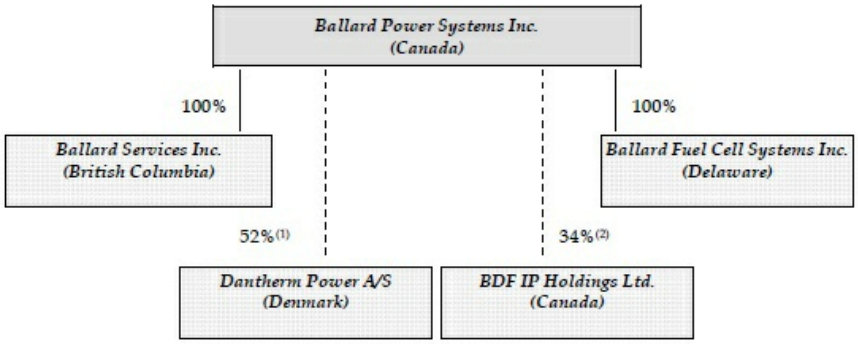
Previously, Ballard Power Systems Inc. was a British Columbia company incorporated on May 30, 1989. The original predecessor to Ballard was founded in 1979 under the name Ballard Research Inc. to conduct research and development on high-energy lithium batteries. In the course of investigating environmentally 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 Fuel Cell Systems Inc., a Delaware corporation that develops methanol-fueled clean energy backup power systems; Dantherm Power A/S ("**Dantherm Power**"), a Denmark-based corporation jointly owned with Dantherm A/S and Azure Hydrogen Energy Science and Technology Corporation that develops hydrogen-fueled clean energy backup power systems; BDF IP Holdings Ltd. ("**IP Holdings**"), a Canadian corporation that holds intellectual property assets; and Ballard Services Inc., a British Columbia company that provides engineering services.

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 February 26, 2015: @@ redo chart



Notes

(1) The Corporation holds 52% of the shares of Dantherm Power A/S; Dantherm A/S holds 38%; and Azure Hydrogen Energy Science and Technology Corporation holds 10%.

(2) 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.

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. The following are key recent developments:

Audi IP Asset Transfer

On February 11, 2015, we entered into an agreement with Audi AG under which we agreed to transfer to Audi certain of the transportation-related fuel cell intellectual property assets we previously acquired from United Technologies Corporation. These assets consist of approximately 900 patents and patent applications as well as know-how primarily related to proton exchange membrane fuel cell technology. As consideration for the patents and patent applications, Ballard received US$40 million from Audi, of which $10 million is payable to UTC as a royalty under the terms of our prior acquisition from UTC. As consideration for the know-how, Ballard will receive US$10 million from Audi on transfer thereof, which is to occur not later than February 16, 2016, of which $900,000 is payable to UTC. In addition, we retain the sole right to use the patents and patent applications being transferred to Audi for all non-automotive purposes, as well as a non-exclusive right for use in buses, and a non-exclusive right for use in certain limited pre-commercial automotive purposes, all on a royalty-free basis. We also retain the right to provide technology solutions services to other automotive

OEMs. In connection with the transaction, Volkswagen AG extended its existing technology development agreement with us as described below.

Plug LTSA

On October 8, 2014, we entered into a long term supply agreement with Plug Power Inc. (" **Plug Power**") to provide fuel cell stacks for use in Plug Power's GenDrive® systems deployed in forklift trucks. The new supply agreement replaces an existing agreement and runs to the end of 2017, with the provision for two 1-year extensions.

Azure Transactions

On June 19, 2014, we entered into an agreement with Azure Hydrogen Energy Science and Technology Corporation (" **Azure**") in relation to an assembly license for Telecom Backup Power systems for the China market. On September 26, 2013, we entered into multi-year agreements with Azure to support Azure's zero-emission fuel cell bus program for the Chinese market. Azure planned to partner with Chinese bus manufacturers in a phased development program for deployment of zero-emission fuel cell buses in China, using Ballard's fuel cell technology. Due to material breaches by Azure, Ballard terminated its agreements with Azure in January 2015.

UTC IP Acquisition

On April 24, 2014, we acquired the transportation- and stationary-related fuel cell intellectual property assets of United Technologies Corporation ("UTC"). As consideration for the patents and patent applications, as well as patent licenses, invention disclosures and know-how, UTC received 5,121,507 million common shares of Ballard, $2 million in cash, a grant back license to use the patent portfolio in UTC's existing businesses and a royalty on Ballard's future intellectual property licensing income generated from the combined intellectual property portfolio. In connection with the transaction, Ballard and UTC formed a strategic alliance led by a joint Advisory Council that will focus on licensing and other commercial market opportunities arising from the combination of the acquired UTC portfolio and Ballard's extensive intellectual property.

October 2013 Public Offering

On October 9, 2013, we closed an underwritten offering in the United States (" **October 2013 Offering**") of 10.35 million units at a price of US$1.40 per unit for gross proceeds of $14.5 million, which includes the exercise in full by the underwriters of their option to purchase up to an additional 15% of common shares and warrants to cover over-allotments. Each unit in the October 2013 Offering was comprised of one common share and 0.25 of a warrant to purchase one common share. Each whole warrant is exercisable immediately upon issuance, having a 5-year term and an exercise price of US$2.00 per share. During 2014, 0.9 million share purchase warrants from the

October 2013 Offering were exercised for Ballard common shares generating proceeds of $1.8 million. As of December 31, 2014, 1.7 million share purchase warrants from the October 2013 Offering remain outstanding.

Anglo Investment

On March 28, 2013, we completed a private placement with Anglo American Platinum Limited (" **Anglo**") under which Anglo invested US$4.0 million in Ballard through its PGM Development Fund. The investment was in the form of a US$4.0 million, 5-year, non-interest bearing convertible promissory note ("**Note**") issued by Ballard. The Note was converted into 4.76 million common shares in March 2014.

March 2013 Public Offering

On March 26, 2013, we closed an underwritten offering in the United States (" **March 2013 Offering**") of 7.275 million units at a price of US$1.10 per unit for gross proceeds of US$8.0 million. Each unit in the March 2013 Offering was comprised of one common share and one warrant to purchase one common share. Each warrant is exercisable immediately upon issuance and has a 5-year term and an exercise price of US$1.50 per share. During 2014, 7.0 million share purchase warrants from the March 2013 Offering were exercised for Ballard common shares generating proceeds of $10.5 million. As of December 31, 2014, 0.25 million share purchase warrants from the March 2013 Offering remain outstanding.

Technology Development Agreement with Volkswagen AG

On March 6, 2013, we entered into an agreement with Volkswagen AG under which we will provide Volkswagen with engineering services to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The original contract term was for 4 years, with an option for a 2-year extension. Work under the contract involves the design and manufacture of a next-generation fuel cell for use in Volkswagen HyMotion demonstration cars. Ballard engineers are supporting critical areas of fuel cell product design – including the membrane electrode assembly (MEA), plate and stack components – along with testing and integration work. On February 11, 2015, Volkswagen extended the contract for 2 years to February 2019 for anticipated revenues of approximately C$30-50 million and also extended the notice period for Volkswagen's right to terminate the contract for convenience from 1 year to 2 years. These extensions do not affect Volkswagen's continuing right to extend the term of the contract for a further 2-year period. Ballard and Volkswagen have also confirmed Ballard's position as a potential supplier of proton exchange membrane fuel cell products to the Volkswagen Group.

Ballard Material Products Assets Sale

On January 31, 2013, we completed the sale of substantially all of the assets in our Lowell, Massachusetts based Material Products division for net cash proceeds of $9.0 million after deducting for working capital adjustments, broker commissions and expenses and legal and other expenses. In March 2014, we received additional proceeds of $0.3 million payable through a product credit in 2014 and 2015 for fuel cell gas diffusion layers based on the 2013 financial results of the former Material Products division.

IdaTech Asset Acquisition

On August 1, 2012, we completed an agreement to acquire key assets and product lines from IdaTech LLC (" **IdaTech**"), a former customer Ballard. In exchange for $7.5 million of Ballard shares issued from treasury (7.1 million Ballard shares valued at $1.05 per share based on our share price as of the acquisition date), we acquired IdaTech's key assets including fuel cell systems inventory, prepaid rights to inventory, product lines for backup power applications, distributor and customer relationships, a license to intellectual property, the right to assume control of a manufacturing facility in Tijuana, Mexico, and certain property, plant and equipment. Acquired fuel cell systems inventory, prepaid rights to inventory, product lines and intellectual property consist of both direct hydrogen units as well as methanol fuelled units and are designed for deployment as emergency backup power in the networks of wireless telecom service providers. The methanol systems incorporate a fuel reformer to extract hydrogen from a mixture of methanol and water which is then used as feedstock for the fuel cells. In January 2013, Ballard exercised its right to assume control of IdaTech's contract manufacturing facility in Tijuana, Mexico.

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 our "commercial stage" markets of Telecom Backup Power and Material Handling and on our "development stage" markets of Bus and Distributed Generation, as well as the provision of technology solutions including Engineering Services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

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. 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. Embedded in each Ballard PEM fuel cell product lies a stack of unit cells designed with Ballard's proprietary technology which draws on intellectual property from our patent portfolio together with our extensive experience in key areas of fuel cell stack operation, system integration, and fuel processing.

We provide our customers with 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. Our focus is on leveraging the inherent reliability and durability derived from our legacy automotive technology into non-automotive markets where demand is near term and on our core competencies of PEM fuel cell design, development, manufacture, sales and service.

Strategy

Our business strategy is a two-pronged approach to build shareholder value through the sale and service of power products and the delivery of technology solutions.

(1) In power product sales, our focus is on meeting the power needs of our customers by delivering high value, high reliability, high quality and clean energy power products that reduce customer costs and risks.

(2) Through technology solutions, our focus is on enabling our customers to solve their technical and business challenges and accelerate their fuel cell programs by delivering customized, high value, bundled technology solutions, including specialized engineering services, access to our deep intellectual property portfolio and know-how through licensing or sale, and providing technology component supply.

To support our business strategy and our capability to execute on our clean energy growth priorities, we have also focused our efforts on bolstering our cash reserves in addition to continued efforts on both product cost reduction and managing our operating expense base including overall expense reductions, the pursuit of government funding for our research and product development efforts, and the redirection of engineering resources to revenue bearing technology solutions projects.

Revenues from Market Segments

During 2014, we reported our results in the single operating segment of Fuel Cell Products and Services. Our Fuel Cell Products and Services segment consists of the sale and service of fuel cell products for our "commercial stage" markets of Telecom Backup Power and Material Handling and for our "development stage" markets of Bus and

Distributed Generation, as well as the provision of Engineering Services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

The following chart shows the percentage of total revenues which arises from sales to investees and sales of products and services to other customers, for the years 2014 and 2013:

	2014	2013
Revenues from Fuel Cell Products and Services		
Percentage of total revenues	100%	100%
Portion representing sales to investees [1]	Nil	0.2%
Portion representing sales to customers other than investees	100%	99.8%

Our Markets, Products and Services

Product & Service Overview

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

(1) Fuel cell stacks: Ballard provides FCgen® and FCvelocity® fuel cell stacks to original equipment manufacturer (" **OEM**") customers and system integrators that use the stacks to produce fuel cell systems for power solutions. As the stack provider, Ballard is the power inside the system.

(2) Fuel cell modules: Ballard builds the stacks into self-contained FCvelocity®-HD modules that are plug-and-play into a larger system. As a fuel cell module provider, we make it easier for OEMs and system integrators to create fuel cell systems.

(3) Fuel cell systems: Ballard also builds complete fuel cell systems for stationary power markets that are designed to solve certain energy needs of our customers. The ElectraGen™ product lines provide fuel-flexible (hydrogen & methanol) system solutions for Back-up power markets. The ClearGen™ product line provides system solutions for large scale Distributed Generation markets.

Ballard's technology solutions offering primarily involves the provision of engineering services and customer access through licensing to Ballard's deep intellectual property portfolio and know-how.

[1] In the table, "investees" means AFCC for 2012 and January 2013. On January 31, 2013, our 19.9% equity interest in AFCC was transferred to Ford pursuant to the Share Purchase Agreement.

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 OEMs and system integrators
FCvelocity®-1020ACS	Material handling	Sales to OEMs and system integrators
FCvelocity®-HD6 and HD7	Buses	Sales to OEMs and system integrators

Stationary Power Product Family: FCgen® Fuel Cell Products and System Products		
Product Name	**Application**	**Status**
FCgen®-1020ACS	Back-up power	Sales to OEMs and system integrators
FCgen®-1300	Back-up power Distributed generation	Sales to OEMs and system integrators
ClearGen™	Distributed generation power systems	Customized solutions
ElectraGen™-H2	Back-up power systems (Dantherm Power and Ballard)	Sales to customers
ElectraGen™-ME	Back-up power systems	Sales to customers

Fuel Cell Products and Services

Commercial Stage Markets

Telecom Backup Power

Our focus in the back-up power market is on the telecommunications industry. The back-up power market is characterized by infrequent, extended duration power demand, in areas with reliable grids where outages typically occur monthly or less

frequently and by frequent use power demand, in areas with unreliable grids experiencing regular outages often lasting 4-8 hours or more.

We provide clean energy fuel cell back-up power systems for telecom equipment suppliers for installation in either indoor or outdoor applications. Dantherm Power develops clean energy hydrogen fuel cell back-up power systems, while Ballard Fuel Cell Systems Inc. primarily focuses on methanol-fueled systems. The FCgen®-1020ACS fuel cell product is our primary stack platform in the back-up power market.

In 2014, Ballard shipped a total of 375 ElectraGen™ systems globally. Ballard expanded its footprint in Japan and grew the market in Southeast Asia to include the Philippines. Southeast Asia, Europe, United States and Africa continue to show repeat orders through our network of channel partners. Our market expansion efforts included proof of concept deployments with major telecommunication operators in Thailand, Pakistan and India.

Competition

The back-up power market is currently dominated by diesel generators and batteries. 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. We believe that PEM fuel cell products are superior to batteries in some applications, 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.

Companies developing PEM fuel cell systems for back-up power applications include Hydrogenics, Altergy and ReliOn. We seek to gain competitive advantage through fuel cell designs that provide superior performance, efficiency, durability and cost.

Material Handling

The material handling market includes target industrial vehicles such as forklifts, automated guided vehicles (" **AGVs**") and ground support equipment ("**GSE**"). Our initial focus is on battery-powered Class 1 counter balance lift trucks, Class 2 reach trucks and Class 3 pallet forklifts and AGVs. 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 also supply the FCvelocity®-1020ACS, our second-generation air-cooled fuel cell product, for light-duty material handling applications.

Our customer and partner in North America is Plug Power, a specialized system integrator achieving early market penetration deploying its GenDrive™ battery pack replacement fuel cell systems. In 2010, Plug Power began offering commercial

GenDrive™ systems designed for Class 1, Class 2 and Class 3 trucks, all using Ballard fuel cells. Ballard's current equipment supply agreement with Plug Power was renewed in 2014 for a 3-year term with two 1-year extensions.

Ballard expects continued growth in 2015 as Plug Power executes repeat multi-facility orders with key customers, such as Walmart, Sysco and Kroger.

In order to support market growth, we continue to pursue cost reduction of our FCvelocity ®-9SSL and FCvelocity®-1020ACS fuel cell products. With increased purchase order commitments from Plug Power, we anticipate that both the scale and cadence of associated product shipments will contribute to increased manufacturing efficiency and further reductions in fuel cell stack costs.

Competition

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 Class 1 for outdoor applications. Compared to batteries, fuel cell systems in Class 1, Class 2 and Class 3 forklift trucks can provide extended run time without frequent and lengthy battery replacement and recharging cycles. For high-throughput, multi-shift warehouse or manufacturing operations, fuel cell forklift trucks can provide a lower life cycle cost and total cost of ownership when compared with traditional lead-acid battery solutions.

Companies developing fuel cell systems for material handling applications include Hydrogenics and Nuvera, recently acquired by Hyster Yale. We seek to gain a competitive advantage through fuel cell designs that provide superior performance, efficiency, durability and cost. Plug Power is the only company currently offering a full suite of class 1, 2 and 3 forklift solutions to the material handling market.

Advanced battery technology continues to make progress in the material handling market. However, the high up-front cost of advanced batteries continues to be a barrier to broad market adoption. Furthermore, advanced battery technologies 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.

Development Stage Markets

Buses

We provide fuel cell modules for public transit buses. These fuel cell buses rely on centralized fuelling depots that simplify the hydrogen infrastructure requirements and are government-subsidized, thus enabling the purchase of pre-commercial fleets.

Ballard designs and manufactures the FCvelocity®-HD6 fuel cell module delivering 75 - 150 kW of power for use in the bus market. Ballard supplies the fuel cell modules to hybrid drive and coach manufacturer customers that deliver zero-emission fuel cell-powered buses to transit operators around the world.

Product cost reduction efforts for the FCvelocity®-HD6 fuel cell module have focused on unit cell design enhancements, including extension of durability and lifetime. This ongoing effort was partially funded by a C$4.8 million award announced in January 2010 (revised to C$6.9 million in June 2012) from Sustainable Development Technology Canada ("**SDTC**") and was successfully completed in 2014 to further develop fuel cell power module technology for the transit bus market. Product cost reductions continued with the development of our next generation bus module, FCvelocity®-HD7, which is anticipated to reduce the total cost of the module by 25%

At the end of 2014, there were 29 Ballard-powered fuel cell buses operating in seven cities worldwide: Coachella Valley, California (4); London (8); Oslo (5); Amsterdam (2); Cologne (4); De Lign, Belgium (5); and São Paulo (1). To date, Ballard-powered fuel cell buses have accumulated more than 400,000 hours of operation and accumulated more than 7.4 million kilometres in service. In 2014, Ballard delivered 12 fuel cell bus modules to bus integrators globally.

Competition

Diesel-powered buses currently dominate the market today. Compressed natural gas (" **CNG**") and diesel electric hybrid buses are lower-emission alternatives to diesel buses in limited service today. Other variants available today include gasoline hybrid buses and CNG hybrid buses. 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. The recent developments in battery-powered powertrain vehicles have created a zero emission alternative to fuel cell buses in the form of Battery Electric Buses. These buses will continue to offer a viable zero emission bus for applications where long range and extended operating hours between recharges are not a requirement. 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.

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.

Companies developing fuel cell systems for transit bus applications include Hydrogenics and Nedstack. We have accumulated far more operating hours in real transit operations than any other fuel cell manufacturer. We believe this experience has enabled us to produce more reliable, more durable and easier to integrate products than our competitors.

Distributed Generation

Large scale distributed generation ("**DG**") is an exploratory market for Ballard with limited resources and focus currently committed. We first entered into this space in 2009, with the announcement of the supply agreement to deliver a 1 MW solution utilizing our motive power fuel cells to FirstEnergy, an Ohio based energy company, for use in a utility load management demonstration project. The unit was shipped in the third quarter of 2010, and began operation on November 1, 2010 and has been operated for demonstration purposes through 2013.

In October 2011, we received a Frost & Sullivan award for new product innovation for the ClearGen™ fuel cell system (North American Stationary PEM category). The system was praised for surpassing the competition in terms of fuel cell durability, product cost and load-following capability, all keys to commercially viable grid-scale solutions.

In April 2011, Ballard entered into an agreement with Toyota Motor Sales USA Inc. (" **Toyota**") to deploy a 1 MW ClearGen™ fuel cell system to provide peak electrical power and heat at the Toyota facility in Torrance, California. The unit was successfully installed and commissioned in August of 2012 and continues to operate.

In June 2011, we obtained an C$7.0 million (revised to C$7.3 million in December 2012) award agreement from Sustainable Development Technology Canada ("SDTC") for the period from 2011 to 2013 (extended to 2015) to be used to extend the operating life and lower the product cost of FCgen®-1300, the fuel cell product that powers Ballard's ClearGen™ distributed generation system.

Competition

The distributed generation market is large and varied. As such, depending on the application, diesel gensets or natural gas gensets would be considered current technologies. Hydrogen fuelled IC engines, advanced battery technologies and other fuel cell systems are emerging as competitive technologies. Fuel cell systems offer significant efficiency and emissions improvements over gensets and hydrogen fuelled IC engines. Advanced battery technologies cannot meet desired run times without requiring substantial capital cost and installation space.

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 Fuel Cell Energy (molten carbonate fuel cells) and Bloom Energy (solid oxide fuel cells).

Technology Solutions

This market (formerly named Engineering Services) was established in late 2011 to leverage our expertise in fuel cell design, prototyping, manufacturing and servicing. The mandate of the Technology Solutions group is to help customers solve difficult technical and business challenges in their proton exchange membrane (PEM) fuel cell programs. We offer customized, bundled technology solutions, including world-class, specialized engineering services, access to the Company's IP portfolio and know-how, as well as the supply of test equipment and technology components.

Current efforts are predominantly in support of multiple automotive research programs; however, in 2014 we also secured contracts in bus and stationary applications and in a number of other emerging markets, including aerospace, marine, and military applications.

In March 2013, we signed an agreement with Volkswagen AG for a 4-year technology development and engineering services contract to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. Ballard engineers are supporting critical areas of fuel cell product design – including the membrane electrode assembly (MEA), plate and stack components – along with testing and integration work. Ballard has also continued through 2014 to execute engineering services projects for other automotive customers.

Competition

In the automotive sector, our main competition for engineering services is the automakers' 'in-house' capabilities. Companies providing fuel cell test equipment include FuelCon, Greenlight Innovation and Kratzer. More broadly, Intelligent Energy provides a partnership model approach across several markets, including automotive and stationary, ranging from technology licensing and royalty-based agreements to collaborative joint ventures. Ricardo offers modeling services and system design, but has more limited capability in core fuel cell technology.

Impact of Regulations and Public Policy

Public funding for hydrogen and fuel cells in Japan, Germany, the EU, South Korea and the United States each exceed $100 million per year. The worldwide total exceeds $1 billion per year. This funding has, and is expected to continue to, help drive demand for fuel cell products.

In the United States, at the federal level, the Emergency Economic Stabilization Act of 2008 includes tax incentives to help minimize the cost of hydrogen and fuel cell

projects. It offers an investment tax credit of 30% for qualified fuel cell property or $3,000/kW of the fuel cell nameplate capacity (i.e., expected system output), whichever is less. The equipment must be installed by December 31, 2016. In addition, it features a credit of 10% for combined-heat-and-power-system property. The American Recovery and Reinvestment Act of 2009 expanded incentives to encourage the installation of fuel cells and hydrogen fueling infrastructure.

At the state level, the California Self-Generation Incentive Program, which is funded by ratepayers and administered by utilities, provides incentives for fuel cell and other clean distributed generation technologies. In 2014, the state senate extended the program through 2019. The California Air Resources Board Zero-Emission Vehicle ("**ZEV**") regulations continue to lead the US regulatory environment for fuel cell vehicles with additional ZEV sales requirements brought into effect with the 2014 program revisions.

In Europe, the Fuel Cells and Hydrogen Joint Undertaking (" **FCH JU**") – a partnership of the European Commission with industry and the research community under the framework of the Fuel Cells and Hydrogen Joint Technology Initiative -- supports research, technological development and demonstration (RTD) activities in fuel cell and hydrogen energy technologies in Europe. Its aim is to accelerate the market introduction of these technologies. In May 2014, the Council of the European Union formally agreed to continue the Fuel Cells and Hydrogen Joint Technology Initiative under the EU Horizon 2020 Framework Program. This phase (2014-2020), will have a total budget of €1.33 billion, provided on a matched basis. The first calls for proposals under Horizon 2020 were launched in July 2014.

In China, draft rules published by the Ministry of Finance in December 2014 would extend subsidies for new energy vehicles to 2020 with the current incentive program set to expire at the end of 2015. Subsidies will be granted to buyers of pure electric, highly electrified plug-in hybrid and fuel-cell vehicles, including both cars and buses. Production of these types of vehicles in China increased five-fold during the first 11 months of 2014 compared with 2013, but the total is far below the government's stated goal of putting 5 million new energy vehicles on the road in China by 2020.

In Japan, incentives focus on fuel cell systems for residential co-generation systems and transportation. A cumulative total of 130,000 co-generation systems were installed in Japan in 2009 through 2014, with more than 50,000 of those in 2014 alone. The current government subsidy for the purchase of a hydrogen fuel cell car is approximately $20,000. The government recently announced that it plans to spend 45.2 billion yen (more than $350 million) on fuel-cell vehicle subsidies and hydrogen stations for the 2020 Olympics as part of a plan to reduce Japan's reliance on nuclear power.

In Canada, Sustainable Development Technology Canada (" **SDTC**") operates the SD Tech Fund which supports the late-stage development and pre-commercial

demonstration of clean technology solutions. These solutions being products and processes that contribute to clean air, clean water and clean land, that address climate change and improve the productivity and the global competitiveness of the Canadian industry. SDTC does not require any repayments of the financial contributions it provides to funded projects through the SD Tech Fund.

Research and Product Development

Ballard's research activities are primarily focused on the MEA and its sub-components, aimed at improving the overall cost, durability, and reliability of our products. Material development for other unit cell components, such as bipolar plates, frames, seals and adhesives, is another area of research focus. Product development activities have been primarily directed at cost reduction. Progress is driven by leveraging stack component designs, materials, and manufacturing processes across multiple product platforms. In addition, warranty cost reduction is enabled through improved durability and reliability growth.

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 30 years of research and product development.

As of February 26, 2015, Ballard owns or controls through IP Holdings, patents approximately as follows: 68 United States granted patents, 87 non-United States granted patents, 15 United States published patent applications and 25 published non-United States patent applications. Our patents will expire between May 2015 and August 2032.

We hold licence rights to additional intellectual property from a number of third parties. We have a royalty-free license to approximately 750 issued patents and pending patent applications from Audi AG for bus and non-automotive applications as well as for certain limited pre-commercial purposes in automotive applications. We also have a royalty-free non-exclusive license to approximately 320 patents and patent applications from IdaTech LLC for methanol reforming and other fuel cell-related technologies. In addition, these licences include non-exclusive, royalty-free access to all of the intellectual property rights held by NuCellSys GmbH ("NuCellSys"), a Daimler

subsidiary, and to all of the intellectual property rights relating to fuel cells developed by Daimler, Ford and their subsidiaries (either directly or through AFCC), including any intellectual property rights developed by them until January 31, 2013. As of February 26, 2015, of the approximately 2,000 patents and patent applications that were included in these licenses, approximately 500 of them are currently granted or pending.

Manufacturing

We currently manufacture our fuel cell products in three facilities – two (2) in Burnaby, BC and one (1) in Tijuana, Mexico. The Burnaby facilities are focused on our core fuel cell competencies, which include the production of membrane electrode assemblies (MEAs), integration and testing of fuel cell stacks, assembly and testing of HD bus modules, as well as support of other products required through our engineering services contracts. We continue to make investments in our manufacturing capabilities and processes which are targeted at supporting high volume production and automated processing to support future growth. Our facility in Tijuana, Mexico, is focused on the integration of our fuel cell stacks into the ElectraGen™ product line. This facility has sufficient capacity for near-term shipment volumes and, with minimum investment, can be expanded to support future market growth.

Many of the materials and components used in the production of MEAs, fuel cell stacks, and balance of plant are proprietary in nature and have been developed in joint collaboration between Ballard and our key supply base. Strategic supply agreements have been executed with these suppliers to ensure security of supply, protection of our intellectual property, and adherence to our strict quality and reliability standards.

Quality

Quality is an integral part of the Ballard culture. Our processes and systems are focused on ensuring that every product that is shipped to our customers conforms to their expectations and contractual requirements while being produced in a safe and environmentally conscious manner. We adhere to our Quality Policy Statement, which reads, “Ballard is committed to being a world leader in the commercialization of cost effective fuel cells by conducting our business in a manner that meets or exceeds our customer and stakeholder requirements, manufactures the highest quality products, safeguards the health and safety of all, and, sustains our natural environment”.

Ballard maintains quality registration to ISO 9001 in all of our manufacturing facilities, and during 2013, we also successfully achieved registration to ISO 14001 for the Burnaby facilities. It is our intent to apply for ISO 14001 registration in Tijuana during 2015. Conformance to these quality systems is ensured through our Integrated Management System. We also strive for continuous improvements in our manufacturing processes through such practices as Lean Manufacturing, 5-S and the advocacy of Six Sigma.

Facilities

We currently have the following principal facilities: (a) a leased 116,797 square feet (10,850 square meters) facility in Burnaby, British Columbia that houses our corporate headquarters and our fuel cell development, manufacturing and testing activities; (b) a leased 112,000 square feet (10,405 square meters) facility in Burnaby that houses some of our manufacturing facilities, as well as manufacturing facilities of Mercedes-Benz Canada and AFCC through a sublease; (c) a leased 10,596 square feet (984 square metres) facility in Bend, Oregon that houses our ElectraGen ™ product development group and system test lab; (d) a leased 4,100 square feet (381.5 square meters) facility in Hobro, Denmark; and (e) a leased 38,000 square feet (3,530 square metres) facility in Tijuana, Mexico which we operate under a shelter agreement for the manufacturing and testing of our ElectraGen™ systems.

As per our Quality Statement, we are committed to ensuring that each of these facilities is operated in full compliance with all applicable laws, as well as all health, safety, and regulatory standards.

Human Resources

As of December 31, 2014, we had approximately 350 employees, 285 in Canada, 35 in the United States and 30 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.

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 February 26, 2015, our issued share capital consisted of 132,277,232 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 2014:

	TSX		NASDAQ	
	Price Range (CDN$)	**Average Daily Volume (#)**	**Price Range (U.S.$)**	**Average Daily Volume (#)**
January	$1.86-2.70	829,719	$1.75-2.47	4,816,493
February	$2.22-4.09	592,890	$2.02-3.70	3,838,049
March	$4.57-7.63	3,258,610	$4.09-6.88	22,355,480
April	$3.99-5.36	1,061,921	$3.65-4.87	6,670,054
May	$3.17-4.22	669,843	$2.89-3.88	3,859,215
June	$3.62-4.61	621,238	$3.30-4.27	3,646,681
July	$3.95-4.76	779,036	$3.71-4.38	3,328,493
August	$4.13-4.43	259,925	$3.76-4.08	1,242,654
September	$3.31-4.18	270,911	$2.99-3.82	1,507,202
October	$3.02-3.49	254,608	$2.50-3.14	1,063,968
November	$2.58-3.35	258,892	$2.29-2.95	1,123,765
December	$2.00-2.46	183,035	$1.72-2.16	1,039,784

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 therefore 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 February 26, 2015: 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 May 2006. 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	26,824/0.020%	202,587/22.22%
Douglas P. Hayhurst British Columbia, Canada	Corporate Director of Ballard. Formerly an executive with IBM Canada Business Consulting Services *(consulting services)* and a Partner with PricewaterhouseCoopers Management Consultants *(consulting services).*	2012	5,000/0.004%	86,871/9.53%

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)
Edwin J. Kilroy Ontario, Canada	Chief Executive Officer of MedAvail Technologies Inc. since November 2012. Formerly Chief Executive Officer of Symcor Inc. (*business process outsourcing services*) from January 2005 to November 2010.	2002	2,752/0.002%	132,045/14.48%
R. Randall MacEwen British Columbia, Canada	President and Chief Executive Officer of Ballard since October 2014.	2014	0/0%	0/0%
Carol M. Stephenson British Columbia, Canada	Corporate Director of Ballard. Formerly Dean of the Richard Ivey School of Business at the University of Western Ontario from 2003 to 2013. Previously, served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003.	2012	3,550/0.003%	101,064/11.08%

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)
David B. Sutcliffe British Columbia, Canada	Corporate Director of Ballard. Chief Executive Officer of Sierra Wireless, Inc. from May 1995 to October 2005. From May 2001 to April 2005, he was also the Chair of the Board of Sierra Wireless, Inc.	2005	3,600/0.003%	108,963/11.95%
Ian Sutcliffe Ontario, Canada	Corporate Director of Ballard. Partner at Sutcliffe & Associates Management Consultants since June 1985. Formerly CEO, Chairman and independent director of BluePoint Data (*IT services*) from September 2001 to June 2011 and Vice Chair and CEO of BCS Global (*video conferencing services*) from January 2003 to March 2004.	2013	10,000/0.008%	23,061/2.53%

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.

(2) Rounded to the nearest whole number.

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.

Executive Officers

As of February 26, 2015, 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
R. Randall MacEwen British Columbia, Canada	President and Chief Executive Officer	Executive of Ballard. Formerly CEO of Sparq Systems Inc. (2013 to 2014) and Founder and Managing Director at NextCleanTech LLC (2010-2014).
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 and Chief Operations Officer	Executive of Ballard. Formerly Vice President, Operations of Ballard.
Christopher J. Guzy British Columbia, Canada	Vice President and Chief Technical Officer	Executive of Ballard.
Steven Karaffa British Columbia, Canada	Vice President and Chief Commercial Officer	Executive of Ballard. Formerly SVP of Corning Incorporated (2013-2014), SVP, Global Carrier Network Sales & Marketing of Corning Cable Systems (2013-2013) and President & CEO of Corning Gilbert (2009-2012).

Shareholdings of Directors and Senior Officers

As of February 26, 2015, our directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 636,632 of our common shares, being 0.48% of our issued and outstanding common shares, and 911,843 DSUs.

AUDIT COMMITTEE MATTERS

Audit Committee Mandate

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 "A" and posted on our website. This mandate is reviewed annually and the Audit Committee's performance is assessed.

Composition of the Audit Committee

The following table sets forth the name of each of the current members of the Audit Committee, whether such member is independent, whether such member is financially literate and the relevant education and experience of such member.

Name	Independent?	Financially Literate?	Relevant Education and Experience
Ian A. Bourne (*ex officio*)	Yes	Yes	Mr. Bourne 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. Mr. Bourne has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.
Douglas P. Hayhurst	Yes	Yes	Mr. Hayhurst was an executive with IBM Canada Business Consulting Services and a Partner with PricewaterhouseCoopers Management Consultants. Prior to that, Mr. Hayhurst held various senior executive management roles with Price Waterhouse including National Deputy Managing Partner (Toronto) and Managing Partner for British Columbia (Vancouver). Mr. Hayhurst received a Fellowship (FCA) from the Institutes of Chartered Accountants of British Columbia and of Ontario. He has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

Name	Independent?	Financially Literate?	Relevant Education and Experience
Edwin J. Kilroy (Chair)	Yes	Yes	Mr. Kilroy has been the Chief Executive Officer of MedAvail Technologies Inc. since November 2012. Previously, 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.
Carol M. Stephenson	Yes	Yes	Ms. Stephenson's principal occupation is corporate director. Previously, she was the Dean of the Richard Ivey School of Business at the University of Western Ontario from 2003 until 2013. Prior to that, she served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003. Ms. Stephenson was invested as an Officer into the Order of Canada in 2010.
David B. Sutcliffe	Yes	Yes	Mr. Sutcliffe was the Chief Executive Officer of Sierra Wireless, Inc. from May 1995 to October 2005. From May 2001 to April 2005, he was also the Chair of the Board of Sierra Wireless, Inc. He has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.
Ian Sutcliffe	Yes	Yes	Mr. Sutcliffe has been a partner at Sutcliffe & Associates Management Consultants since June 1985. Previously, he was CEO, Chairman and independent director of BluePoint Data from September 2001 to June 2011 and Vice Chair and CEO of BCS Global from January 2003 to March 2004. Mr. Sutcliffe was President of Mediconsult.com from June 1995 to June 1999 and President and CEO from 1999 to 2001. Prior to that, he was with Coopers & Lybrand in Vancouver and London, England from June 1979 to June 1985.

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 2014 and 2013 for audit and non-audit related work, all of which were approved in advance by the Audit Committee:

Type of Audit Fees	2014 (C$)	2013 (C$)
Audit Fees	$438,362	$447,170
Audit-Related Fees	$7,350	Nil
Tax Fees	$3,467	Nil
All Other Fees	Nil	Nil

Audit Fees

Audit fees were for professional services rendered by KPMG LLP for the audit of the annual financial statements, quarterly reviews and services provided in connection with statutory and regulatory filings or engagements relating to prospectuses and other offering documents.

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the annual statements and are not reported under the heading audit fees above.

Tax Fees

The Tax Fees for 2014 related to tax advisory and transfer pricing services.

All Other Fees

There were no fees paid to KPMG LLP that would be considered "Other Fees" in 2014 or 2013. Fees to be disclosed under this category would be for products and

services other than those described under the headings audit fees, audit-related fees and tax fees above.

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.

LEGAL PROCEEDINGS

We are not involved in any material legal proceedings, nor are any such proceedings known to be contemplated. From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business.

INTERESTS OF EXPERTS

KPMG LLP are the auditors of Ballard and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Company under all relevant US professional and regulatory standards.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of our insiders, directors or executive officers, nor any associate or affiliate of such persons, has had any material interest, direct or indirect, in any transaction of ours within our three most recently completed financial years, nor in any transaction or proposed transaction within our current financial year that has materially affected or would materially affect us or any of our subsidiaries.

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.

Audi IP Asset Transfer

On February 11, 2015, we entered into an agreement with Audi AG (the "IP Transfer and License Agreement") under which we agreed to transfer to Audi certain of

the transportation-related fuel cell intellectual property assets we previously acquired from United Technologies Corporation. These assets consist of approximately 900 patents and patent applications as well as know-how primarily related to PEM fuel cell technology.

As consideration for the patents and patent applications, Ballard received US$40 million from Audi, of which $10 million is payable to UTC as a royalty under the terms of our prior acquisition from UTC. As consideration for the know-how, Ballard will receive US$10 million from Audi on transfer thereof, which is to occur not later than February 16, 2016, of which $900,000 is payable to UTC.

In addition, we retain the sole right to use the patents and patent applications being transferred to Audi for all non-automotive purposes, as well as a non-exclusive right for use in buses, and a non-exclusive right for use in certain limited pre-commercial automotive purposes, all on a royalty-free basis. We also retain the right to provide technology solutions services to other automotive OEMs.

In connection with the transaction, Volkswagen AG extended its existing technology development agreement with us as described below.

Ballard filed the IP Transfer and License Agreement on SEDAR on February 20, 2015 in conjunction with the filing of a Material Change Report in respect of the transaction.

Azure Transactions

On June 19, 2014, we entered into an agreement with Azure in relation to an assembly license for Telecom Backup Power systems for the China market. Ballard filed the agreement on SEDAR on June 19, 2014 in conjunction with the filing of a Material Change Report in respect of the transaction.

On September 26, 2013, we entered into multi-year agreements with Azure to support Azure's zero-emission fuel cell bus program for the Chinese market. Azure planned to partner with Chinese bus manufacturers in a phased development program for deployment of zero-emission fuel cell buses in China, using Ballard's fuel cell technology. Ballard filed a copy of the relevant agreement as an attachment to a Material Change Report in respect of the transaction filed on SEDAR on October 2, 2013.

Ballard terminated all of these agreements with Azure on January 2, 2015 as a result of Azure's material breaches.

UTC IP Acquisition

On April 24, 2014, we acquired the transportation- and stationary-related fuel cell intellectual property assets of UTC. These assets consist of approximately 800 patents

and patent applications as well as patent licenses, invention disclosures and know-how primarily related to proton exchange membrane fuel cell technology.

As consideration for the patents and patent applications, as well as patent licenses, invention disclosures and know-how, UTC received 5,121,507 million common shares of Ballard, $2 million in cash, a grant back license to use the patent portfolio in UTC's existing businesses and a royalty on Ballard's future intellectual property licensing income generated from the combined intellectual property portfolio.

In connection with the transaction, Ballard and UTC formed a strategic alliance led by a joint Advisory Council that will focus on licensing and other commercial market opportunities arising from the combination of the acquired UTC portfolio and Ballard's extensive intellectual property.

Ballard filed the agreement on SEDAR on April 24, 2014 in conjunction with the filing of a Material Change Report in respect of the transaction.

Technology Development Agreement with Volkswagen AG

On March 6, 2013, we entered into an agreement with Volkswagen AG (the "Technology Development Agreement") under which we will provide Volkswagen with engineering services to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The original contract term was for 4 years, with an option for a 2-year extension. The original expected contract value was in the range of C$60-100 million.

Work involves the design and manufacture of a next-generation fuel cell for use in Volkswagen HyMotion demonstration cars. Ballard engineers are supporting critical areas of fuel cell product design – including the membrane electrode assembly (MEA), plate and stack components – along with testing and integration work. Volkswagen will own all intellectual property generated during the program while Ballard retains a royalty-free license to use it for all non-vehicular applications.

Ballard filed the Technology Development Agreement on SEDAR on March 15, 2013 as an attachment to the Material Change Report in respect of the transaction.

On February 11, 2015, we entered into an agreement with Volkswagen (the "TDA Amending Agreement") under which Volkswagen extended the Technology Development Agreement for 2 years to February 2019 for anticipated revenues of approximately C$30-50 million and also extended the notice period for Volkswagen's right to terminate the Technology Development Agreement for convenience from 1 year to 2 years. These extensions do not affect Volkswagen's continuing right to extend the term of the Technology Development Agreement for a further 2-year period. Ballard and Volkswagen have also confirmed Ballard's position as a potential supplier of PEM fuel cell products to the Volkswagen Group.

Ballard filed the TDA Amending Agreement on SEDAR on February 20, 2015 in conjunction with the filing of a Material Change Report in respect of the transaction.

Ballard Material Products Asset Sale

On January 31, 2013, we completed the sale of substantially all of the assets in our Lowell, Massachusetts based Material Products division to ALY Holdings LLC ("ALY Holdings") in partnership with the division's senior management, through AvCarb LLC, a new company formed as a result of the transaction, for net cash proceeds of $9.0 million after deducting for working capital adjustments, broker commissions and expenses and legal and other expenses. In March 2014, we received additional proceeds of $0.3 million payable through a GDL product credit in 2014 and 2015 for fuel cell gas diffusion layers based on the 2013 financial results of the former Material Products division.

As part of the transaction, Ballard and AvCarb entered into a non-exclusive agreement for the supply of gas diffusion layer ("GDL") materials by AvCarb for Ballard's products. Ballard also granted a non-exclusive license to certain of its GDL patents to AvCarb.

Ballard is required to indemnify AvCarb in respect of, and hold them harmless against, amongst other things, Damages (as the term is defined in the transaction agreement) incurred or suffered by AvCarb or any Affiliate thereof resulting from, relating to or constituting any liability, obligation or commitment of the Seller under or related to any applicable environmental laws to the extent arising out of or in connection with (i) any actual or alleged violation of, non-compliance with or liability under, any environmental law, in any case arising out of circumstances or conditions occurring on or prior to the closing date in connection with any acquired assets, (ii) the release of any materials of environmental concern on or prior to the closing date at, on, in, under or migrating onto or from, any of the acquired assets or any property formerly owned, leased or used by Ballard Material Products Inc. or any of its predecessors or affiliates, (iii) the transportation, storage, release or recycling of, or arrangement for such activities with respect to, materials of environmental concern from, at or to any location on or prior to the closing date, (iv) the exposure of any person, on or prior to the closing date, to materials of environmental concern that were generated from or located on or in any property currently or formerly owned, leased or used by the Ballard Material Products Inc. or any of its predecessors or affiliates, and (v) any division, subsidiary or predecessor of, or any property owned, leased or used by, Ballard Material Products Inc. that was sold or otherwise transferred on or prior to the closing date.

The indemnification obligation is conditioned on AvCarb's not undertaking any subsurface investigation, drilling, excavation or other disturbance (unless reasonably necessary for normal maintenance of existing structures and improvements or for the

expansion of existing structures or construction of new structures on the purchased property) or otherwise precipitating through its actions any Damages for a period of four years from the closing date of the transaction. Ballard's obligations are limited to 90% of the total cost of the remedial work required to comply with the remedial requirements applicable to properties used for industrial or commercial purposes.

Ballard filed the sale agreement on SEDAR on February 8, 2013 as an attachment to the Material Change Report in respect of the Ballard Material Products transaction.

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 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.

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 and uncertainties 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, 2013. 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 working capital requirements, 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 working capital requirements, 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.

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.

Warranty claims could negatively impact our gross margins and financial performance.

There is a risk that our warranty accrual estimates are not sufficient and we may recognize additional expenses, including those related to litigation, as a result of warranty claims in excess of our current expectations. Such warranty claims may necessitate changes to our products or manufacturing processes and/or a product recall, all of which could hurt our reputation and the reputation of our products and may have an adverse impact on our financial performance and/or on future sales. While we attempt to mitigate against these risks through product development, quality assurance and customer support and service processes, there can be no assurance that these processes are adequate. Even in the absence of any warranty claims, a product deficiency such as a design or manufacturing defect could be identified, necessitating a product recall or other corrective measures, which could hurt our reputation and the reputation of our products and may have an adverse impact on our financial performance and/or on future sales.

New products may have different performance characteristics from previous products. In addition, we have limited field experience with existing commercial products, including but not limited to the ElectraGen™ systems, from which to make our warranty accrual estimates.

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.

In our engineering services market, we depend on a single customer for the majority of our revenues.

We provide most of our services in the engineering services market to a single customer, Volkswagen AG, and while we are continually seeking to expand our customer base, we expect this will continue for the next several years. Our future success in this market is dependent upon the continued demand by this customer and expansion of our customer base. Any decline in or loss of demand from this customer or other customers for any reason may have a negative impact on our revenues, and an adverse effect on our business, financial condition and results of operations. In addition, our dependence on a single customer in this market exposes us to numerous other risks, including: the current or future economic conditions could negatively affect our major customer and cause them to significantly reduce operations or file for bankruptcy.

In our material handling market, we depend on a single customer for the majority of our revenues.

We sell most of our products in the material handling market to a single customer, Plug Power, and while we are continually seeking to expand our customer base, we expect this will continue for the next several years. Any decline in business with this customer could have an adverse impact on our business, financial condition and results of operations. Our future success is dependent upon the continued purchases of our products by this customer. Any fluctuations in demand from this customer or other customers may negatively impact our business, financial condition and results of operations. If we are unable to broaden our customer base and expand relationships with other potential customers, our business in this market will continue to be impacted by unanticipated demand fluctuations due to our dependence on a single customer. Unanticipated demand fluctuations can have a negative impact on our revenues and business, and an adverse effect on our business, financial condition and results of operations. In addition, our dependence on a single customer in this market exposes us to numerous other risks, including: (i) a slowdown or delay in the customer's deployment of our products could significantly reduce demand for our products as well as increase pricing pressure on our products due to increased purchasing leverage; (ii) reductions in a single customer's forecasts and demand could

result in excess inventories; (iii) the current or future economic conditions could negatively affect our major customer and cause them to significantly reduce operations, or file for bankruptcy; (iv) concentration of accounts receivable credit risk, which could have a material adverse effect on our liquidity and financial condition if our major customer declared bankruptcy or delayed payment of their receivables; and (v) reductions in a single customer's demand as a result of their own strategic action to dual source their supply of fuel cell stacks.

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.

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.

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.

We report our financial results in United States dollars. Our operating expenditures are particularly affected by fluctuations in the exchange rate between the Canadian dollar and the United States dollar. We generate the majority of our revenues in United States dollars (with the one notable exception being the Technology Development Agreement with Volkswagen AG which is priced in Canadian dollars) while the majority of our operating expenditures are incurred in Canadian dollars. As a result, any increase in the value of the Canadian dollar, relative to the United States dollar, increases the amount of reported operating expenditures without a corresponding increase in revenues. Exchange rate fluctuations are beyond our control, and the Canadian dollar may appreciate against the United States dollar in the future, which would result in higher operating expenditures and lower net income. In order to reduce the potential negative effect of a strengthening Canadian dollar, we occasionally enter into various hedging programs including the use of forward foreign exchange contracts and pricing certain of our engineering services contracts with a high Canadian labour content in Canadian dollars. 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 and palladium, affect our costs. Platinum and palladium are key components of our fuel cell products. Platinum and palladium are scarce natural resources and we are dependent upon a sufficient supply of these commodities. While we do not anticipate significant near or long-term shortages in the supply of platinum or palladium, 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 occasionally enter into various hedging programs.

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, durable or safe 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.

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

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 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.

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 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 and some generate high voltages, which could subject our business to product liability claims.

Our business exposes us to potential product liability claims that are inherent in electrical products, and in products that use hydrogen or hydrogen-rich reformate fuels. High-voltage electricity poses potential shock hazards, and hydrogen is a flammable gas and therefore a potentially dangerous fuel. 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, 2014, each interim financial statement issued after December 31, 2014, 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"

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. Directors who have served as the CEO of the Corporation at any time, or as the CFO within the past three years, are ineligible for appointment to the Committee.

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) 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.

D) 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.

E) 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 Corporate Governance & Compensation Committee ("CGCC") 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); and

(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 CGCC, 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 CGCC 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.

K) Performance Evaluation

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***												
(i)	Review with management any significant changes in financial risks facing the Corporation.		ü		ü			ü			ü		
(ii)	Review with management procedures followed with respect to disclosure controls and procedures.		ü		ü			ü			ü		
(iii)	Review the management letter from the external auditor and corporation's responses to suggestions made.				ü								
(iv)	Annually review the Committee mandate.		ü										
(v)	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		
(vi)	Review the appointment of the financial senior executives of the Corporation.		ü		ü			ü			ü		
(vii)	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		
(viii)	Discuss and consider policies with respect to risk assessment and risk management.												ü
(ix)	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		

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
B)	***Interim Financial Statements***												
(i)	Review and approval of interim financial statements and MD&A.				ü			ü			ü		
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 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										

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(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 F.		ü										
(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 F – Independence of External Auditors.		ü										

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(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		
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		

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(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
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 Chair of the Board of Directors and the CEO.				ü								
J)	***Performance Evaluation***												
(i)	Review annual evaluation of the Committee's performance.		ü										

EXHIBIT 99.4

Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002

I, **R. Randall MacEwen,** 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: February 26, 2015

By: /s/ R. Randall MacEwen
Name: R. Randall MacEwen
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: February 26, 2015

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 99.5

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, 2014 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: February 26, 2015 /s/ R. Randall MacEwen
R. Randall MacEwen
President and Chief Executive Officer (principal executive officer)

Dated: February 26, 2015 /s/ Tony Guglielmin
Tony Guglielmin
Vice President and Chief Financial Officer (principal financial officer)

EXHIBIT 99.6



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Ballard Power Systems Inc.

We consent to the use of our reports, each dated February 25, 2015, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

We also consent to the incorporation by reference of each of the above reports into the Company's Registration Statements (No. 333-156553 and 333-161807 on Form S-8 and No. 333-195606 on Form F-10, as amended) of Ballard Power Systems Inc.

/s/ KPMG LLP

Chartered Accountants
Vancouver, Canada
February 26, 2015

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.