U.S. 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

☒ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 2016** Commission File Number: **000-25270**

Ballard Power Systems Inc.

(Exact name of registrant as specified in its charter)

Canada	**3620**	**Not Applicable**
(Province or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

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

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

Securities 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 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:

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report: **As of December 31, 2016, there were 174,749,630 common shares outstanding.**

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 ☐ 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. 333-211780).

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 are hereby incorporated by reference herein:

- the Registrant's Annual Information Form for the year ended December 31, 2016;
- the Registrant's Audited Consolidated Financial Statements of the Company as at and for the years ended December 31, 2016 and 2015, including the notes thereto, together with the report of the independent auditors thereon; and
- the Registrant's Management's Discussion and Analysis for the year ended December 31, 2016.

EXPLANATORY NOTE

The Company is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the United States Securities 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 and Rule 405 under the Securities Act of 1933, as amended. 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.

CAUTIONARY STATEMENT REGARDING 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.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

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 included in the Registrant's Audited Consolidated Financial Statements, which is incorporated herein by reference to Exhibit 99.1.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

The required disclosure is included in Management's Discussion and Analysis, which is incorporated herein by reference to Exhibit 99.2.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended December 31, 2016 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE AND AUDIT COMMITTEE FINANCIAL EXPERT

The Board has a separately designated standing audit committee (the "Audit Committee") established for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company in accordance with Section 3(a)(58)(A) of the Exchange Act. As of the date of this Annual Report, the Company's Audit Committee is comprised of Ian A. Bourne, Douglas P. Hayhurst, Duy-Loan Le, Marty T. Neese, James Roche, Carol M. Stephenson, and Ian Sutcliffe, each of whom the Board has determined is independent, as that term is defined in the listing standards of the NASDAQ Global Market ("Nasdaq"). 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 audit committee financial expert under as defined in paragraph (8)(b) of General Instruction B of Form 40-F, and is independent, as defined in the listing standards of Nasdaq.

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. 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, 2016.

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.

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 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 Company 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 Company has previously filed with the Commission a written consent to service of process on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Company.

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.

BALLARD POWER SYSTEMS INC.

Date: March 3, 2017

By: /s/ Tony Guglielmin

Name: Tony Guglielmin

Title: Vice President and Chief Financial Officer

EXHIBIT INDEX

The following documents are being filed with the Commission as exhibits to this Annual Report on Form 40-F.

Exhibit	Description
99.1	Ballard Power Systems Inc. Consolidated Financial Statements for the years ended December 31, 2016 and 2015
99.2	Ballard Power Systems Inc. Management's Discussion and Analysis for the year ended December 31, 2016
99.3	Annual Information Form for Ballard Power Systems Inc. dated as of March 1, 2017
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

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

BALLARD POWER SYSTEMS INC.

Years ended December 31, 2016 and 2015

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, 2016. 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 eight 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, 2016. 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
March 1, 2017

"TONY GUGLIELMIN"

TONY GUGLIELMIN
Vice President and
Chief Financial Officer
March 1, 2017

KPMG LLP
Chartered Professional 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 Directors of Ballard Power Systems Inc.

We have audited the accompanying consolidated statements of financial position of Ballard Power Systems Inc. as of December 31, 2016 and December 31, 2015 and the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of Ballard Power Systems Inc.'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 Ballard Power Systems Inc.as of December 31, 2016 and December 31, 2015, 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), Ballard Power Systems Inc.'s internal control over financial reporting as of December 31, 2016, 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 March 1, 2017 expressed an unqualified opinion on the effectiveness of Ballard Power Systems Inc.'s internal control over financial reporting.

//**s**// **KPMG LLP**

Chartered Professional Accountants

March 1, 2017
Vancouver, Canada

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 LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and 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, 2016, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ballard Power Systems Inc.'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 titled "Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting" under the heading "Internal Control over Financial Reporting" included in the Company's Management's 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.

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.

In our opinion, Ballard Power Systems Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based "criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Ballard Power Systems Inc. as of December 31, 2016 and December 31, 2015, and the related consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and our report dated March 1, 2017 expressed an unqualified opinion on those consolidated financial statements.

//**s**// **KPMG LLP**

Chartered Professional Accountants

March 1, 2017
Vancouver, Canada

BALLARD POWER SYSTEMS INC.

Consolidated Statement of Financial Position
(Expressed in thousands of U.S. dollars)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets:			
Cash and cash equivalents		**$ 72,628**	$ 40,049
Trade and other receivables	8	**14,924**	25,484
Inventories	9	**17,228**	20,369
Prepaid expenses and other current assets		**2,973**	1,672
Total current assets		**107,753**	87,574
Non-current assets:			
Property, plant and equipment	10	**15,701**	16,725
Intangible assets	11	**18,083**	16,329
Goodwill	12	**40,562**	40,562
Investments	13	**1,191**	6
Other long-term assets		**156**	135
Total assets		**$ 183,446**	$ 161,331
Liabilities and Equity			
Current liabilities:			
Trade and other payables	15	**$ 17,767**	$ 17,220
Deferred revenue		**20,621**	6,085
Provisions	16	**3,568**	5,368
Finance lease liability	14 & 17	**569**	1,011
Debt to Ballard Power Systems Europe A/S non-controlling interest	18	**521**	504
Total current liabilities		**43,046**	30,188
Non-current liabilities:			
Finance lease liability	14 & 17	**6,428**	6,723
Deferred gain on finance lease	17	**3,398**	3,829
Provisions	16	**3,864**	3,646
Employee future benefits	19	**5,167**	5,331
Total liabilities		**61,903**	49,717
Equity:			
Share capital	20	**977,707**	948,213
Contributed surplus	20	**295,547**	293,332
Accumulated deficit		**(1,149,128)**	(1,127,655)
Foreign currency reserve		**718**	567
Total equity attributable to equity holders		**124,844**	114,457
Ballard Power Systems Europe A/S non-controlling interest		**(3,301)**	(2,843)
Total equity		**121,543**	111,614
Total liabilities and equity		**$ 183,446**	$ 161,331

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Doug Hayhurst"	"Ian Bourne"
Director	Director

BALLARD POWER SYSTEMS INC.

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

	Note	2016	2015
Revenues:			
Product and service revenues		**$ 85,270**	$ 56,463
Cost of product and service revenues		**61,086**	46,489
Gross margin		**24,184**	9,974
Operating expenses:			
Research and product development		**19,827**	16,206
General and administrative		**12,938**	10,594
Sales and marketing		**7,190**	7,428
Other expense	25	**2,298**	630
Total operating expenses		**42,253**	34,858
Results from operating activities		**(18,069)**	(24,884)
Finance income (loss) and other	26	**(777)**	(305)
Finance expense	26	**(686)**	(794)
Net finance expense		**(1,463)**	(1,099)
Gain (loss) on sale of assets	27	**(623)**	1
Gain on sale of intellectual property	11	**-**	19,619
Impairment charges on intangible assets and property, plant and equipment	28	**(1,151)**	-
Loss before income taxes		**(21,306)**	(6,363)
Income tax expense	29	**(381)**	(211)
Net loss		**(21,687)**	(6,574)
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit plans	19	**(361)**	168
		(361)	168
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**268**	560
		268	560
Other comprehensive income (loss), net of tax		**(93)**	728
Total comprehensive loss		**$ (21,780)**	$ (5,846)

See accompanying notes to consolidated financial statements.

BALLARD POWER SYSTEMS INC.

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

	2016	2015
Net loss attributable to:		
Ballard Power Systems Inc.	**$ (21,112)**	$ (5,815)
Ballard Power Systems Europe A/S non-controlling interest	**(575)**	(759)
Net loss	**$ (21,687)**	$ (6,574)
Total comprehensive loss attributable to:		
Ballard Power Systems Inc.	**$ (21,322)**	$ (5,351)
Ballard Power Systems Europe A/S non-controlling interest	**(458)**	(495)
Total comprehensive loss	**$ (21,780)**	$ (5,846)
Basic and diluted loss per share attributable to Ballard Power Systems Inc.		
Loss per share	**$ ($0.13)**	$ (0.04)
Weighted average number of common shares outstanding	**163,449,737**	140,393,579

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					Ballard Power Systems Europe A/S	
	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Foreign currency reserve	Non-controlling interests	Total equity
Balance, December 31, 2014	132,104,116	$ 914,786	$ 288,533	$ (1,121,671)	$ 280	$ (2,694)	$ 79,234
Net loss	-	-	-	(5,815)	-	(759)	(6,574)
Non-dilutive financing (note 21)	-	-	3,347	-	-	-	3,347
Net Offering proceeds (note 20)	9,343,750	13,389	-	-	-	-	13,389
Acquisition (note 7)	11,415,704	13,699	-	-	-	-	13,699
Private placement (note 20)	3,322,479	4,987	-	-	-	-	4,987
DSUs redeemed (note 20)	83,619	354	(520)	-	-	-	(166)
RSUs redeemed (note 20)	119,627	203	(345)	-	-	-	(142)
Options exercised (note 20)	322,892	627	(239)	-	-	-	388
Warrants exercised (note 20)	125,000	168	-	-	-	-	168
Share distribution plan	-	-	2,556	-	-	-	2,556
Ballard Power Systems Europe NCI adjustment for cancellation of Azure shares	-	-	-	(337)	-	337	-
Other comprehensive income (loss):							
Defined benefit plan actuarial loss	-	-	-	168	-	-	168
Foreign currency translation for foreign operations	-	-	-	-	287	273	560
Balance, December 31, 2015	156,837,187	$ 948,213	$ 293,332	$ (1,127,655)	$ 567	$ (2,843)	$ 111,614
Net loss	**-**	**-**	**-**	**(21,112)**	**-**	**(575)**	**(21,687)**
Net Offering proceeds (note 20)	**17,250,000**	**28,199**	**-**	**-**	**-**	**-**	**28,199**
DSUs redeemed (note 20)	**146,211**	**299**	**(565)**	**-**	**-**	**-**	**(266)**
RSUs redeemed (note 20)	**80,945**	**161**	**(283)**	**-**	**-**	**-**	**(122)**
Options exercised (note 20)	**435,287**	**835**	**(339)**	**-**	**-**	**-**	**496**
Share distribution plan	**-**	**-**	**3,402**	**-**	**-**	**-**	**3,402**
Other comprehensive income:							
Defined benefit plan actuarial loss	**-**	**-**	**-**	**(361)**	**-**	**-**	**(361)**
Foreign currency translation for foreign operations	**-**	**-**	**-**	**-**	**151**	**117**	**268**
Balance, December 31, 2016	**174,749,630**	**$ 977,707**	**$ 295,547**	**$ (1,149,128)**	$ **718**	**$ (3,301)**	**$ 121,543**

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	2016	2015
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**$ (21,687)**	$ (6,574)
Adjustments for:			
Share-based compensation	20	**3,024**	2,950
Employee future benefits		**235**	278
Employee future benefits plan contributions		**(760)**	(740)
Depreciation and amortization		**4,544**	4,375
(Gain)/loss on decommissioning liabilities		**218**	(602)
(Gain)/loss on sale of assets	27	**623**	(1)
Gain on sale of intellectual property	11	**-**	(19,619)
Impairment charges on intangible assets and property, plant and equipment	28	**1,151**	-
Impairment loss on trade receivables	25	**390**	456
Unrealized (gain)/loss on forward contracts		**(151)**	162
		(12,413)	(19,315)
Changes in non-cash working capital:			
Trade and other receivables		**(771)**	410
Inventories		**(2,339)**	(5,550)
Prepaid expenses and other current assets		**(1,322)**	(166)
Trade and other payables		**1,010**	(1,344)
Deferred revenue		**14,536**	4,213
Warranty provision		**(2,605)**	(3,612)
		8,509	(6,049)
Cash used in operating activities		**(3,904)**	(25,364)
Investing activities:			
Additions to property, plant and equipment	10	**(2,778)**	(2,282)
Net proceeds on sale of property, plant and equipment and other	27	**3,009**	1
Additions to intangible assets	11	**(4,103)**	(1,604)
Net proceeds on sale of intangible assets	11	**9,244**	29,475
Cash and cash equivalents acquired on acquisition of Protonex	7	**-**	1,464
Acquisition of Protonex	7	**-**	(3,772)
Investment in associated companies	4(a)&13	**(180)**	-
Cash provided by (used in) investing activities		**5,192**	23,282
Financing activities:			
Non-dilutive equity financing	21	**3,347**	-
Net payment of finance lease liabilities		**(1,042)**	(845)
Net proceeds on issuance of share capital from underwritten Offering	20	**-**	13,389
Net proceeds on issuance of share capital from private placement	20	**28,199**	4,987
Net proceeds on issuance of share capital from stock option exercises	20	**496**	388
Net proceeds on issuance of share capital from warrant exercises	20	**-**	168
Cash provided by financing activities		**31,000**	18,087
Effect of exchange rate fluctuations on cash and cash equivalents held		**291**	373
Increase (decrease) in cash and cash equivalents		**32,579**	16,378
Cash and cash equivalents, beginning of year		**40,049**	23,671
Cash and cash equivalents, end of year		**$ 72,628**	$ 40,049

Supplemental disclosure of cash flow information (note 31).

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 proton exchange membrane ("PEM") fuel cell products for a variety of applications, focusing on the power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions, including engineering services, technology transfer 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 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, 2016 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 March 1, 2017.

(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 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, impairment loss (recoveries) on trade receivables, employee future benefits, and income taxes. These estimates and judgments are discussed further in note 5.

(e) Future 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. The Corporation did not adopt any new accounting standard changes or amendments during the year ended December 31, 2016 that had a material impact on these consolidated financial statements.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. Certain prior year comparative figures have been reclassified to comply with current year presentation.

(a) Basis of consolidation:

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

	Percentage ownership	
	2016	2015
Ballard Fuel Cell Systems Inc.	100%	100%
Ballard Power Corporation	100%	100%
Ballard Services Inc.	100%	100%
Ballard Hong Kong Ltd.	100%	N/A
Ballard Power Systems Europe A/S	57%	57%
Protonex Technology Corporation	100%	100%

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.

On July 19, 2016, the Corporation incorporated Ballard Hong Kong Ltd (“BHKL”), a 100% owned holding company in Hong Kong, China.

On September 26, 2016, the Corporation, through BHKL, entered into a joint venture agreement with Guangdong Nation Synergy Hydrogen Power Technology Co., Ltd (“Synergy”) to create a new limited liability company based in China called Guangdong Synergy Ballard Hydrogen Power Co., Ltd (“Synergy JVCo”). The purpose of Synergy JVCo is to carry out the Mk9 SSL fuel cell stack technology transfer transaction that was contemplated in the Mk 9 SSL Manufacturing Master Agreement (and subsequent definitive signed agreements) to establish Mk9 SSL fuel cell stack manufacturing capabilities in China.

4. Significant accounting policies (cont'd):

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

In setting up the joint venture, as specified in the Equity Joint Venture Agreement ("EJV") dated September 26, 2016, Synergy will contribute RMB 60,300,000 (approximately $9,000,000) and the Corporation will contribute RMB 6,700,000, (approximately $1,000,000) by March 25, 2017 which represents 90% and 10% of the registered capital in Synergy JVCo, respectively. The parties will make their contributions in cash and are not obligated to contribute any additional capital in excess of the amounts noted above. Synergy JVCo is not controlled by the Corporation and therefore is not consolidated. The Corporation's 10% investment in Synergy JVCo will instead be accounted for using the equity method of accounting. Although the Corporation is not obligated to pay for its 10% investment in Synergy JVCo until March 25, 2017, it obtained ownership of the 10% investment as of the date of the EJV. This RMB 6,700,000 payable has been accrued by the Corporation as of December 31, 2016.

On October 1, 2015, the Corporation acquired Protonex Technology Corporation (note 7), a leading designer and manufacturer of advanced power management products and portable fuel cell solutions.

On January 18, 2010, the Corporation acquired a controlling 45% interest in Ballard Power Systems Europe A/S ("BPSE"). BPSE has been consolidated since acquisition. Acquisitions of non-controlling interest are accounted as transactions with equity holders in their capacity as equity holders; therefore no gain or loss is recognized as a result of such transactions. In August 2010, the Corporation acquired an additional 7% interest in BPSE 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 BPSE, which reduced the Corporation's interest from 57% to 51.3%. On June 8, 2015, the Corporation agreed to a mutual release with Azure whereby each party mutually released and forever discharged each other from any and all liability arising from the prior year's licensing agreements. Pursuant to the Azure Mutual Release Agreement, Azure returned its 10% ownership position in BPSE for $nil proceeds, upon which the shares were cancelled by BPSE on June 17, 2015. Following the Azure Mutual Release Agreement, the Corporation's controlling ownership position in BPSE was increased from 52% to 57%. The remaining 43% interest was held by Dansk Industri Invest A/S (previously Dantherm A/S). On January 5, 2017, the Corporation purchased all of the shares in its European subsidiary held by Dansk Industri Invest A/S for a nominal value of $43,000 (note 34).

4. Significant accounting policies (cont'd):

(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.

(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 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 profit or loss.

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(i) Financial assets (cont'd)

The Corporation also periodically enters into foreign exchange forward contracts and platinum futures contracts to limit its respective exposure to foreign currency rate fluctuations and platinum price 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 profit or loss, unless these financial instruments are designated as hedges (note 4 (c)(iv)).

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 and debt to BPSE non-controlling shareholders. 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.

If designated in a qualifying 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, or 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 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):

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 finance expense and the reduction of the outstanding liability. 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, know-how, in-process research and development, trademarks and service marks and software systems that are acquired or developed 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 recognized in profit or loss. Goodwill is not amortized.

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

Internally generated fuel cell intangible assets	5 years
Patents, know-how and in-process research & development	5 to 20 years
ERP management reporting software system	7 years
Trademarks and service marks	15 years
Domain names	15 years
Customer base and relationships	10 years
Acquired non-compete agreements	1 year

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 expense.

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 the net present value of the expected costs of settlement 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 the ultimate settlement amount 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 fundamental knowledge, and the provision of engineering services and technology transfer services. Product and service revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Intellectual property and fundamental knowledge license and sale revenues are derived primarily from licensing and sale and technology transfer agreements and from long-term fixed price contracts. Engineering service and technology transfer services 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 licensing and sale and technology transfer 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 Corporation 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.

4. Significant accounting policies (cont'd):

(j) Revenue recognition (cont'd):

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

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 expense:

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 expense 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 pension 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 (restructuring expense recorded in other operating 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 20. 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 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:

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 the Corporation's 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 management's 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. If the anticipated costs exceed the anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

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

(b) Asset impairment:

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 cashgenerating 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, the revenue growth rate could be lower than projected due to economic, industry or competitive factors, or the discount rate used in the value in use model could increase due to a change in market interest rates. In addition, future goodwill impairment charges may be necessary if the market capitalization decreased due to a decline in the trading price of the Corporation's common stock, which could negatively impact the fair value of the Corporation's operating segments.

(c) Warranty provision:

A provision for warranty costs is recorded on product sales at the time of shipment. 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.

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

(d) Inventory provision:

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate provision 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 negative impact on the value of inventory on hand, appropriate provision 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) Impairment loss (recoveries) on trade receivables:

Trade and other receivables are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. In determining the fair value of trade and other receivables and establishing the appropriate provision for doubtful accounts, management performs regular reviews to estimate the likelihood that trade and other receivables will ultimately be collected in a timely manner. Where management determines that customer collectability issues have occurred and will have a negative impact on the value of trade and other receivables, appropriate provisions are made. If there is a subsequent recovery in the value of trade and other receivables, reversals of previous write-downs to fair value are made. Unforeseen changes in these factors could result in additional impairment provisions, or reversals of previous impairment provisions, being required.

(f) 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):

(g) 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 and future accounting policy changes:

The Corporation did not adopt any new accounting standard changes or amendments in 2016 that had a material impact on the Corporation's financial statements.

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

(a) IFRS 2 – *Share-based payments*

On June 20, 2016, the IASB issued amendments to *IFRS 2 Share-based Payment*, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(b) IFRS 15 – *Revenue from Contracts with Customers*

On May 28, 2014, the IASB issued *IFRS 15 Revenue from Contracts with Customers*. IFRS 15 will replace *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*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers* , which is effective at the same time as IFRS 15.

6. Recent accounting pronouncements and future accounting policy changes (cont'd):

(b) IFRS 15 – *Revenue from Contracts with Customers (cont'd)*

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 clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The new standard is effective for annual periods beginning on or after January 1, 2018 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, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(c) IFRS 9 – *Financial Instruments*

On July 24, 2014, the IASB issued the complete *IFRS 9 Financial Instruments* ("IFRS 9 (2014)"). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Corporation intends to adopt IFRS 9 (2014) in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

6. Recent accounting pronouncements and future accounting policy changes (cont'd):

(d) IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 Leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply *IFRS 15 Revenue from Contracts with Customers* as at or before the date of initial adoption of IFRS 16. IFRS 16 will replace *IAS 17 Leases*. The Corporation intends to adopt IFRS 16 in its financial statements for the fiscal year beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

7. Acquisition:

On October 1, 2015, the Corporation completed the acquisition of Protonex, a leading designer and manufacturer of advanced power management products and portable fuel cell solutions. As consideration for the transaction, the Corporation assumed and paid certain of Protonex' debt obligations and transaction costs on closing of $3,772,000, and issued 11,415,704 of Ballard shares at fair value of $1.20 per share at a total value of $13,699,000, for total purchase consideration of $17,471,000. The fair value of the Corporation's 11,415,704 common shares has been measured for accounting purposes using the closing price of the Ballard common shares on the day immediately preceding the acquisition date.

The acquisition has been accounted for as a business combination using the acquisition method of accounting in accordance with IFRS 3 *Business Combinations*. As such, consideration given by the Corporation to acquire Protonex has been allocated to the assets acquired, and the liabilities assumed, based on their fair values as of the acquisition date of October 1, 2015.

7. Acquisition (cont'd):

The fair value of purchase consideration is as follows:

Total Ballard shares issued on closing		11,415,704
Ballard Share Price pre-closing	$	1.20
Fair value of Ballard shares	$	13,699
Cash paid to Protonex for transaction costs assumed		1,397
Cash paid direct to lender to settle Protonex debt obligations		2,375
Total cash paid		3,772
Total purchase consideration	$	17,471

In accordance with IFRS 3, the identifiable assets acquired and liabilities assumed as part of a business combination are recognized separately from goodwill at the acquisition date if they meet the definition of an asset or liability and are exchanged as part of the business combination. The identifiable assets acquired and liabilities assumed are then measured at their acquisition date fair values based on the contractual terms, economic conditions, the Corporation's operating and accounting policies and other pertinent conditions as of the acquisition date. The fair value review of Protonex' assets and liabilities commenced with a review of the carrying amount of each respective asset and liability. The carrying amounts of all assets and liabilities were audited as of September 30, 2015 (the former fiscal year-end of Protonex) and included confirmation of existence and a review of potential impairment of all significant assets and a review for completeness of all liabilities. Each asset and liability was then reviewed and measured for potential fair value adjustments from carrying cost to arrive at each asset and liability's preliminary fair value as of the acquisition date of October 1, 2015.

The fair values of assets acquired and liabilities assumed are as follows:

Net assets acquired:		
Cash and cash equivalents	$	1,464
Accounts receivable		558
Inventory		2,330
Other current assets		167
Property, plant and equipment		1,223
Intangible assets		11,138
Goodwill		4,272
Other long-term assets		22
Accounts payable and accrued liabilities		(2,676)
Deferred revenue		(275)
Accrued warranty obligations		(47)
Payable to Ballard Power		(703)
Other long-term liabilities		(2)
Total purchase consideration	$	17,471

7. Acquisition (cont'd):

The goodwill of $4,272,000 resulting from the acquisition consists largely of the expectation that the acquisition will complement the Corporation's Fuel Cell Products and Services growth platform by delivering strategic benefits in diversification, growth, scale, and profitability.

Identified intangible assets of $11,138,000 consist of the following and are being amortized based on the following useful lives:

Fair value of Identified Intangible Assets		Estimated Useful Life
Patents, know-how and in-process research & development	$ 8,973	20 years
Customer base and relationships	986	10 years
Trademarks and service marks	1,135	15 years
Domain names	17	15 years
Non-compete agreements	27	1 year
	$ 11,138	

Acquisition and integration costs of $43,000 (2015 - $1,542,000) were incurred in 2016 as a result of the transaction, and are recognized in other operating expense (note 25).

8. Trade and other receivables:

	December 31, 2016	December 31, 2015
Trade receivables	$ 11,026	$ 23,664
Other	3,898	1,820
	$ 14,924	$ 25,484

9. Inventories:

	December 31, 2016	December 31, 2015
Raw materials and consumables	$ 13,039	$ 15,289
Work-in-progress	1,879	739
Finished goods	654	3,388
Service inventory	1,656	953
	$ 17,228	$ 20,369

In 2016, changes in raw materials and consumables, finished goods and work-in-progress recognized as cost of product and service revenues amounted to $40,172,000 (2015 - $17,905,000).

9. Inventories (cont'd):

In 2016, the write-down of inventories to net realizable value amounted to $879,000 (2015 - $855,000) and the reversal of previously recorded write-downs amounted to $273,000 (2015 - $239,000), resulting in a net write-down of $606,000 (2015 - $616,000). 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:

Net carrying amounts	December 31, 2016	December 31, 2015
Building under finance lease	$ 6,631	$ 7,443
Computer equipment	1,049	826
Furniture and fixtures	185	229
Furniture and fixtures under finance lease	-	26
Leasehold improvements	2,188	2,741
Production and test equipment	5,013	4,506
Production and test equipment under finance lease	635	954
	$ 15,701	$ 16,725

Cost	December 31, 2015	Additions	Disposals	Transfers	Effect of movements in exchange rates	December 31, 2016
Building under finance lease	$ 12,180	$ -	$ -	$ -	$ -	$ 12,180
Computer equipment	5,133	566	(1,090)	-	(2)	4,607
Furniture and fixtures	891	20	(63)	317	(2)	1,163
Furniture and fixtures under finance lease	317	-	-	(317)	-	-
Leasehold improvements	9,079	89	(366)	-	(8)	8,794
Production and test equipment	31,182	2,103	(1,623)	1,393	(2)	33,053
Production and test equipment under finance lease	3,667	-	(196)	(1,393)	-	2,078
	$ 62,449	$ 2,778	$ (3,338)	$ -	$ (14)	$ 61,875

Accumulated depreciation and impairment loss	December 31, 2015	Depreciation	Impairment loss	Disposals	Transfers	Effect of movements in exchange rates	December 31, 2016
Building under finance lease	$ 4,737	$ 812	$ -	$ -	$ -	$ -	$ 5,549
Computer equipment	4,307	329	14	(1,090)	-	(2)	3,558
Furniture and fixtures	662	62	3	(64)	317	(2)	978
Furniture and fixtures under finance lease	291	26	-	-	(317)	-	-
Leasehold improvements	6,338	617	24	(365)	-	(8)	6,606
Production and test equipment	26,676	1,231	340	(1,598)	1,393	(2)	28,040
Production and test equipment under finance lease	2,713	319	-	(196)	(1,393)	-	1,443
	$ 45,724	$ 3,396	$ 381	$ (3,313)	$ -	$ (14)	$ 46,174

Transfers in 2016 relate to the buy-out of certain leased production and test equipment which were transferred back into property, plant, and equipment.

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

Cost	December 31, 2014	Additions through Acquisition	Additions	Disposals	Effect of movements in exchange rates	December 31, 2015
Building under finance lease	$ 12,180	$ -	$ -	$ -	$ -	$ 12,180
Computer equipment	4,600	165	428	(49)	(11)	5,133
Furniture and fixtures	685	83	137	(3)	(11)	891
Furniture and fixtures under finance lease	317	-	-	-	-	317
Leasehold improvements	8,779	350	95	(105)	(40)	9,079
Production and test equipment	29,308	625	1,622	(364)	(9)	31,182
Production and test equipment under finance lease	3,667	-	-	-	-	3,667
	$ 59,536	$ 1,223	$ 2,282	$ (521)	$ (71)	$ 62,449

During 2015, additions through acquisition of property, plant and equipment relate to the acquisition of Protonex on October 1, 2015 (note 7).

Accumulated depreciation and impairment loss	December 31, 2014	Depreciation	Disposals	Effect of movements in exchange rates	December 31, 2015
Building under finance lease	$ 3,925	$ 812	$ -	$ -	$ 4,737
Computer equipment	4,157	210	(49)	(11)	4,307
Furniture and fixtures	654	21	(3)	(10)	662
Furniture and fixtures under finance lease	227	64	-	-	291
Leasehold improvements	5,785	589	-	(36)	6,338
Production and test equipment	25,927	1,123	(365)	(9)	26,676
Production and test equipment under finance lease	2,176	537	-	-	2,713
	$ 42,851	$ 3,356	$ (417)	$ (66)	$ 45,724

Leased assets

The Corporation leases certain assets under finance lease agreements including the Corporation's head office building in Burnaby, British Columbia and certain machinery (note 17).

Impairment loss

The Corporation recorded an impairment loss on property, plant and equipment of $381,000 in 2016 related to the write-off of certain methanol Telecom Backup Power assets to their estimated net realizable value of $nil (note 28).

There were no impairment losses or reversals of previously recorded impairment losses recognized against property, plant and equipment in 2015.

11. Intangible assets:

	December 31, 2016	December 31, 2015
Intellectual property acquired from UTC	$ 2,311	$ 2,757
Intellectual property acquired from Idatech, LLC	-	914
Intellectual property acquired from H2 Logic A/S	215	301
Intellectual property acquired from Protonex (note 7)	10,331	10,975
Internally generated fuel cell intangible assets	2,182	1,382
ERP management reporting software system	3,015	-
Intellectual property acquired by Ballard Power Systems Europe	29	-
	$ 18,083	$ 16,329

Intangible assets Balance	Cost	Accumulated amortization	Net carrying amount
At January 1, 2015	$ 69,528	$ 45,377	$ 24,151
Additions to and acquisition of intangible assets	12,742	-	12,742
Amortization expense	-	1,464	(1,464)
Disposals	(20,202)	(1,102)	(19,100)
At December 31, 2015	62,068	45,739	16,329
Additions to and acquisition of intangible assets	4,103	-	4,103
Amortization expense	-	1,579	(1,579)
Impairment (note 27)	-	770	(770)
At December 31, 2016	$ 66,171	$ 48,088	$ 18,083

Amortization expense on intangible assets is allocated to research and product development expense or general and administration expense depending upon the nature of the underlying assets. In 2016, amortization of $1,579,000 (2015 - $1,464,000) was recorded. During the year ended December 31, 2016, impairment charges of $770,000 were recorded (note 28).

ERP Management Reporting Software System

In 2016, the Corporation commenced the process to replace its incumbent financial and other resource systems with a fully integrated Enterprise Resource Planning (ERP) management reporting software system. The implementation of this company-wide, cloud-based ERP system is expected to provide the Corporation with enhanced reporting capabilities. The Corporation has assessed its expenditure on the ERP implementation to be internally generated intangible assets. During 2016, total development expenditures of $3,015,000 have been capitalized at cost. The estimated useful life has been assessed as seven years. Amortization of the expenditures related to the first phase will commence upon the initial Go Live date of January 3, 2017.

11. Intangible assets (cont'd):

Internally Generated Fuel Cell Intangible Assets

In 2015, the Corporation commenced development of two new configurations of its fuel cell module for heavy-duty motive applications. The Corporation's initial 85kW configuration is typically used to power large urban transit buses. The two new product configurations are expected to deliver net power of 30kW and 60kW, respectively, with sales launched in 2016 to power smaller buses and to provide range extension solutions. The Corporation has assessed its development expenditure on these product configurations to be internally generated intangible assets. During 2016, total development expenditures of $1,053,000 (2015 - $1,395,000) have been capitalized at cost. The estimated useful life has been assessed as five years. In 2016, amortization of $253,000 (2015 - $13,000) was recorded on these assets.

Sale of Intellectual Property to Volkswagen

On February 11, 2015, the Corporation entered into a transaction ("Volkswagen IP Agreement") with Volkswagen Group ("Volkswagen") to transfer to Volkswagen in two separate transactions the automotive-related portion of the UTC Portfolio, in exchange for total payments of $50,000,000:

(i) On the closing of the initial transaction on February 23, 2015, the Corporation transferred ownership of the automotive-related patents and patent applications of United Technologies Corporation (the "UTC Portfolio") in exchange for $40,000,000. This receipt triggered a 25%, or $10,000,000, license fee payment to UTC. Although ownership of the patents and patent applications was transferred to Volkswagen, the Corporation received a royalty-free back-license to all the transferred patents and patent applications for use in all of the Corporation's non-automotive applications, in bus applications, and in certain limited pre-commercial automotive applications.

(ii) On December 2, 2015, the Corporation sold a copy of the automotive-related know-how of the UTC Portfolio for consideration receivable of $10,000,000 which was collected in the three months ended March 31, 2016. This receipt triggered a 9%, or $900,000 license fee payment to UTC in 2016. On the closing of the sale of a copy of the know-how, the Corporation retained full ownership of the know-how, including the right to sell additional copies of the know-how to third parties as well as retaining the right to use the know-how in all of the Corporation's applications.

11. Intangible assets (cont'd):

On the closing of the sale of the automotive-related patents and patent applications of the UTC Portfolio on February 23, 2015, the Corporation recognized a gain on sale of intellectual property of $14,195,000 on net proceeds of $29,475,000.

Gross proceeds		$ 40,000
Less:	License fee	(10,000)
	Disposition costs	(525)
Net proceeds received in the first three months of 2015		29,475
Less: Net book value of disposed intellectual property		(15,280)
Gain on sale of intellectual property in the first three months of 2015		$ 14,195

On the closing of the sale of a copy of the automotive-related know-how on December 2, 2015, the Corporation recognized a gain on sale of intellectual property of $5,424,000 on net proceeds receivable of $9,244,000. The net proceeds on sale of $9,244,000 were collected during the three months ended March 31, 2016.

Gross proceeds		$ 10,000
Less:	License fee	(900)
	Disposition recovery (costs)	144
Net proceeds received in the first three months of 2016		9,244
Less: Net book value of disposed intellectual property		(3,820)
Gain on sale of intellectual property in the last three months of 2015		$ 5,424

After the conclusion of the Volkswagen Agreement, the net carrying amount of the remaining intangible assets of the UTC Portfolio of $2,311,000 as of December 31, 2016 (2015 - $2,757,000) consists of certain stationary related fuel cell intellectual property assets and the royalty-free back-license from Volkswagen to utilize the entire UTC Portfolio in the Corporation's bus and non-automotive applications and in certain limited re-commercial purposes for automotive applications. The estimated useful life of the remaining UTC Portfolio has been reassessed from approximately fourteen years to seven years, and is being amortized over seven years from the date of the Volkswagen IP Agreement.

UTC Intellectual Property Acquisition

On April 24, 2014, the Corporation acquired the UTC Portfolio for total consideration of $22,307,000. The acquired UTC Portfolio 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.

11. Intangible assets (cont'd):

As consideration for the UTC Portfolio, UTC received 5,121,507 of the Corporation's common shares valued at $20,307,000, $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.

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 31).

Fuel Cell Products and Services

As of December 31, 2016, the aggregate carrying amount of the Corporation's goodwill is $40,562,000 (2015 - $40,562,000).

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, 2016 based on the average closing share price in the month of December, adding a reasonable estimated control premium 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 as of December 31, 2016.

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 25% from 2017 to 2022; and a terminal year earnings before interest, taxes, depreciation and amortization ("EBITDA") multiplied by a terminal value multiplier of 10. 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.

12. Goodwill (cont'd):

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 2016 or 2015.

13. Investments:

	December 31, 2016	December 31, 2015
Investment in Synergy JVCo (note 4)	$ 1,185	$ -
Other	6	6
	$ 1,191	$ 6

14. 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 2016, and there were no outstanding amounts payable on the Bank Operating Line as of December 31, 2016 and 2015.

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 & 17). 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, 2016, a nominal amount (2015 - $510,000) was outstanding on the Leasing Facility which is included in the finance lease liability (note 17). The remaining $6,997,000 finance lease liability primarily relates to the lease of the Corporation's head office building and machinery leased by its subsidiary, Protonex.

Forward Contract Facility

The Corporation also has a CDN $5,000,000 demand revolving line ("Forward Contract Facility") and a CDN $15,000,000 credit facility ("EncoreFX Facility"), which are both 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.

Periodically, the Corporation uses forward foreign exchange and forward platinum purchase contracts to manage exposure to currency rate fluctuations and platinum price fluctuations. These contracts are recorded at their fair value as either assets or liabilities on the balance sheet. Any changes in fair value are either (i) recorded in the statement of comprehensive income if formally designated and qualified under hedge accounting criteria; or (ii) recorded in the statement of operations if either not designated, or not qualified, under hedge accounting criteria.

14. Bank facilities (cont'd):

At December 31, 2016, the Corporation had outstanding foreign exchange currency contracts to purchase a total of CDN $10,750,000 (2015 – CDN $10,750,000) at an average rate of 1.32 CDN per U.S. dollar, resulting in an unrealized gain of CDN $220,000 at December 31, 2016 (2015 – unrealized loss of CDN $392,000). The outstanding foreign exchange currency contracts are not qualified under hedge accounting.

15. Trade and other payables:

	December 31, 2016	December 31, 2015
Trade accounts payable	$ 5,970	$ 9,030
Compensation payable	8,056	4,137
Other liabilities	3,464	3,641
Taxes payable	277	412
	$ 17,767	$ 17,220

16. Provisions:

Balance	Restructuring provision	Warranty provision	Decommissioning liabilities	Total
At January 1, 2015	$ 78	$ 8,932	$ 4,353	$ 13,363
Provisions acquired through acquisition	-	47	-	47
Provisions made during the year	-	1,171	110	1,281
Provisions used/paid during the year	(47)	(2,473)	-	(2,520)
Provisions reversed during the year	(24)	(1,620)	(104)	(1,748)
Effect of movements in exchange rates	-	(696)	(713)	(1,409)
At December 31, 2015	7	5,361	3,646	9,014
Provisions made during the year	2,323	2,109	106	4,538
Provisions used/paid during the year	(1,501)	(3,246)	-	(4,747)
Provisions reversed during the year	(7)	(1,533)	-	(1,540)
Effect of movements in exchange rates	(9)	64	112	167
At December 31, 2016	$ 813	$ 2,755	$ 3,864	$ 7,432
Current	$ 813	$ 2,755	$ -	$ 3,568
Non-current	-	-	3,864	3,864
	$ 813	$ 2,755	$ 3,864	$ 7,432

Restructuring Provision

Restructuring charges relate to cost reduction initiatives that included the elimination of approximately 50 positions including the elimination of three executive level positions. These cost reduction initiatives were primarily focused on reducing the operating cost base associated with methanol Telecom Backup Power activities as the Corporation continued to review strategic alternatives for these assets prior to the transaction with Chung-Hsin Electric & Machinery Manufacturing Corporation ("CHEM") (note 26).

16. Provisions (cont'd):

Warranty provision

The Corporation recorded $2,109,000 of warranty provisions (2015 - $1,171,000) of which $1,132,000 related to new product sales (2015 - $890,000) and $977,000 related to upward warranty adjustments (2015 - $281,000). This was offset by warranty expenditures of $3,246,000 (2015 - $2,473,000) and downward warranty adjustments of $1,533,000 (2015 - $1,620,000), due primarily to contractual expirations and changes in estimated and actual costs to repair. The remaining $64,000 reduction to the warranty provision related to the effect of movements in exchange rates (2015 – $696,000).

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 estimated 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 into.

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 2.31% per annum (2015 – 2.15%).

The Corporation performed an assessment of the estimated cash flows required to settle the obligations for the two buildings as of December 31, 2016. Based on the assessment, the changes in the estimated cash flows were determined to be nominal and as a result, no adjustment was recorded. The increase in the provision during 2016 was due to accretion costs of $106,000 (2015 - $110,000). The total undiscounted amount of the estimated cash flows required to settle the obligation for one of the buildings is $1,655,000 (2015 - $1,606,000) 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 $2,720,000 (2015 - $2,639,000), which is expected to be settled at the end of the operating lease term of 2019. The net discounted amount of estimated cash flows required to settle the obligations for both buildings is $3,864,000 as at December 31, 2016 (2015 - $3,646,000).

17. Finance lease liability:

The Corporation leases certain assets under finance lease agreements (note 14). The finance leases have imputed interest rates ranging from 4.2% to 7.35% per annum and expire between May 2021 and February 2025.

Finance lease liabilities are payable as follows:

At December 31, 2016	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 1,055	$ 486	$ 569
Between one and five years	4,524	1,468	3,056
More than five years	3,783	411	3,372
	$ 9,362	$ 2,365	$ 6,997

Current	$ 569
Non-current	6,428
	$ 6,997

At December 31, 2015	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 1,524	$ 513	$ 1,011
Between one and five years	4,181	1,617	2,564
More than five years	4,830	671	4,159
	$ 10,535	$ 2,801	$ 7,734

Current	$ 1,011
Non-current	6,723
	$ 7,734

At December 31, 2016, a nominal amount (2015 - $510,000) was outstanding on the Leasing Facility which is included in the finance lease liability. The remaining $6,997,000 (2015- $7,224,000) finance lease liability primarily relates to the lease of the Corporation's head office building, and machinery leased by its subsidiary, Protonex.

Deferred gains were also recorded on closing of the finance lease agreements and are amortized over the finance lease term. At December 31, 2016, the outstanding deferred gain was $3,398,000 (2015 – $3,829,000).

18. Debt to Ballard Power Systems Europe A/S non-controlling interests:

BPSE has received financing from its non-controlling shareholder in the form of a revolving credit facility. The revolving credit facility makes available a revolving facility to BPSE of a maximum aggregate amount of DKK 2,977,975 ($423,000) from the non-controlling shareholder, Dansk Industri Invest A/S (previously Dantherm A/S). Interest is accrued at 6% and the facility matures on December 31, 2018. At December 31, 2016, the total principal and interest outstanding on the revolving credit facility was $521,000 (2015 – $504,000) (note 33).

19. Employee future benefits:

	December 31, 2016	December 31, 2015
Net defined benefit pension plan liability	$ 4,971	$ 5,116
Net other post-retirement benefit plan liability	196	215
Employee future benefits	$ 5,167	$ 5,331

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, 2017. The next actuarial valuation of the employee future benefit plans for funding purposes is expected to be performed as of January 1, 2018.

The Corporation expects contributions of approximately $750,000 to be paid to its defined benefit plans in 2017.

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 profit or loss is recorded in finance income (loss) and other.

19. Employee future benefits (cont'd):

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Defined benefit pension plan	**2016**	2015	**2016**	2015	**2016**	2015
Balance at January 1	**$ 15,579**	$ 16,167	**$ (10,463)**	$ (10,466)	**$ 5,116**	$ 5,701
Included in profit or loss						
Current service cost	**42**	58	**-**	-	**42**	58
Interest cost (income)	**678**	663	**(465)**	(438)	**213**	225
Benefits payable	**-**	-	**-**	-	**-**	-
	720	721	**(465)**	(438)	**255**	283
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**(186)**	(212)	**-**	-	**(186)**	(212)
Financial assumptions	**715**	(620)	**-**	-	**715**	(620)
Experience adjustment	**13**	116	**-**	-	**13**	116
Return on plan assets excluding interest income	**-**	-	**(182)**	588	**(182)**	588
Plan expenses	**(30)**	(40)	**30**	40	**-**	-
	512	(756)	**(152)**	628	**360**	(128)
Other						
Contributions paid by the employer	**-**	-	**(760)**	(740)	**(760)**	(740)
Benefits paid	**(558)**	(553)	**558**	553	**-**	-
	(558)	(553)	**(202)**	(187)	**(760)**	(740)
Balance at December 31	**$ 16,253**	$ 15,579	**$ (11,282)**	$ (10,463)	**$ 4,971**	$ 5,116

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Other post-retirement benefit plan	**2016**	2015	**2016**	2015	**2016**	2015
Balance at January 1	**$ 215**	$ 260	**$ -**	**$ -**	**$ 215**	$ 260
Included in profit or loss						
Interest cost (income)	**8**	8	**-**	-	**8**	8
	8	8	**-**	-	**8**	8
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**1**	(25)	**-**	-	**1**	(25)
Experience adjustment	**-**	(15)	**-**	-	**-**	(15)
	1	(40)	**-**	-	**$ 1**	$ (40)
Other						
Contributions paid by the employer	**-**	-	**(28)**	(13)	**(28)**	(13)
Benefits paid	**(28)**	(13)	**28**	13	**-**	-
	(28)	(13)	**-**	-	**(28)**	(13)
Balance at December 31	**$ 196**	$ 215	**$ -**	**$ -**	**$ 196**	$ 215

Pension plan assets comprise:

	2016	2015
Cash and cash equivalents	2%	1%
Equity securities	61%	62%
Debt securities	37%	37%
Total	100%	100%

19. Employee future benefits (cont'd):

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

	2016		2015	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.13%	3.69%	4.44%	3.89%
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:

	2016		2015	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.44%	3.89%	4.18%	3.53%
Rate of compensation increase	n/a	n/a	n/a	n/a

The assumed health care cost trend rates applicable to the other post-retirement benefit plan at December 31 were as follows:

	2016	2015
Initial medical/dental health care cost trend rate	8.0%	7.5%
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	2021	2020
Year that the dental rate reaches the rate it is assumed to remain at	2016	2015

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

20. Equity:

(a) Share capital:

Authorized and issued:

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

Private placement:

On August 18, 2016, the Corporation closed a private placement strategic equity investment with Zhongshan Broad-Ocean Motor Company Limited ("Broad Ocean") of 17,250,000 common shares issued from treasury at $1.64083 per share for gross proceeds of $28,304,000.

Gross Broad-Ocean Offering proceeds (17,250,000 shares at $1.64083 per share)	$ 28,304
Less: Share issuance costs	(105)
Net Broad-Ocean Offering proceeds	$ 28,199

20. Equity (cont'd):

(a) Share capital (cont'd):

Offering:

On July 7, 2015, the Corporation closed an underwritten offering ("Offering") of 9,343,750 common shares at a price of $1.60 per share for gross proceeds of $14,950,000. Net cash proceeds to Ballard were $13,389,000, after deducting underwriting discounts, commissions and other offering expenses.

Gross July Offering proceeds (9,343,750 shares at $1.60 per share)	$ 14,950
Less: Underwriting expenses	(1,047)
Less: Other financing expenses	(514)
Net July Offering proceeds	$ 13,389

(b) Share purchase warrants:

Warrants Outstanding	Exercise price of $ 1.50	Exercise price of $ 2.00	Total Warrants
At January 1, 2015	247,563	1,675,000	1,922,563
Warrants exercised in 2015	(125,000)	-	(125,000)
At December 31, 2015	122,563	1,675,000	1,797,563
Warrants exercised in 2016	-	-	-
At December 31, 2016	122,563	1,675,000	1,797,563

During 2016, nil warrants were exercised. During 2015, 125,000 warrants were exercised for an equal amount of common shares for net proceeds of $168,000.

At December 31, 2016, 1,797,563 share purchase warrants were issued and outstanding (2015 – 1,797,563).

(c) 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 either Canadian or U.S. dollars, depending on the residency of the recipient. Canadian dollar denominated options have been converted to U.S. dollars using the year-end exchange rate for presentation purposes.

All options have a term of seven 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.

20. Equity (cont'd):

(c) Share options:

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

Balance	Options for common shares	Weighted average exercise price
At January 1, 2015	4,316,427	$ 2.65
Options granted	2,306,635	2.02
Options exercised	(322,892)	1.13
Options forfeited	(349,336)	2.46
Options expired	(445,334)	4.11
At December 31, 2015	5,505,500	2.10
Options granted	1,363,315	1.34
Options exercised	(443,589)	1.12
Options forfeited	(583,827)	2.63
Options expired	(303,670)	4.77
At December 31, 2016	5,537,729	$ 1.84

The following table summarizes information about the Corporation's share options outstanding as at December 31, 2016:

	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
$0.60 – $1.00	519,007	3.0	$ 0.90	519,007	$ 0.90
$1.19 – $1.42	1,791,984	5.7	1.31	294,322	1.24
$1.56 – $2.22	2,181,231	4.1	2.08	1,187,909	1.96
$2.36 – $3.45	1,045,507	1.9	2.74	709,043	2.73
	5,537,729	4.1	$ 1.84	2,710,281	$ 1.88

During 2016, 443,589 options were exercised for an equal amount of common shares for proceeds of $508,000. During 2015, 322,892 options were exercised for an equal amount of common shares for proceeds of $388,000.

During 2016, options to purchase 1,363,315 common shares were granted with a weighted average fair value of $0.75 (2015 – 2,306,635 options and $1.23 fair value). The granted options vest annually over three years.

20. Equity (cont'd):

(c) 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:

	2016	2015
Expected life	4 years	4 years
Expected dividends	Nil	Nil
Expected volatility	77%	78%
Risk-free interest rate	1%	1%

As at December 31, 2016, options to purchase 5,537,729 common shares were outstanding (2015 – 5,505,500). During 2016, compensation expense of $1,414,000 (2015 – $2,048,000) was recorded in net loss based on the grant date fair value of the awards recognized over the vesting period.

(d) 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, 2016, there were 10,553,115 (2015 – 8,748,294) shares available to be issued under this plan.

During 2015 and 2016, no shares were issued under this plan and therefore no compensation expense was recorded against income.

(e) 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, 2015	911,843
DSUs granted	160,062
DSUs exercised	(154,280)
At December 31, 2015	917,625
DSUs granted	481,095
DSUs exercised	(273,469)
At December 31, 2016	1,125,250

20. Equity (cont'd):

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

During 2016, $300,000 of compensation expense was recorded in net loss relating to DSUs granted during the year.

During 2015, $659,000 of compensation expense was recorded in net loss, of which $265,000 related to DSUs granted during the year. The remaining $394,000 related to compensation expense expected to be earned for DSUs not yet issued.

During 2016, 273,469 DSUs (2015 – 154,280) were exercised which resulted in the issuance of 146,211 common shares (2015 – 83,619).

As at December 31, 2016, 1,125,250 deferred share units were outstanding (2015 – 917,625).

(f) 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 20(d)) 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 2016 and 2015.

	RSUs for common shares		
	Share	Market	
Balance	Distribution Plan	Purchase Plan	Total RSUs
At January 1, 2015	1,923,983	-	1,923,983
RSUs granted	1,036,417	-	1,036,417
RSUs exercised	(206,333)	-	(206,333)
RSUs forfeited	(1,045,441)	-	(1,045,441)
At December 31, 2015	1,708,626	-	1,708,626
RSUs granted	820,247	-	820,247
RSUs exercised	(143,126)	-	(143,126)
RSUs forfeited	(912,339)	-	(912,339)
At December 31, 2016	1,473,408	-	1,473,408

During 2016, 820,247 RSUs were issued (2015 – 1,036,417). 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 2016, compensation expense of $1,310,000 (2015 - $243,000) was recorded against income.

20. Equity (cont'd):

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

During 2016, 143,126 RSUs (2015 – 206,333) were exercised which resulted in the issuance of 80,945 common shares (2015 – 119,627).

As at December 31, 2065, 1,473,408 RSUs were outstanding (2015 – 1,708,626).

21. Non-dilutive equity financing:

In 2015, an agreement was reached and the Corporation signed mutual releases with Superior Plus Income Fund ("Superior Plus") as to the full and final amount payable to the Corporation under the indemnification agreement ("the Indemnity Agreement"), originally signed in 2008, and received additional cash proceeds of $3,347,000 in February 2016. The cash proceeds receivable were recorded as a credit to shareholders' equity as of December 31, 2015 consistent with the accounting for the original transaction in 2008. The cash proceeds collected in February 2016 are presented as a non-dilutive financing in the 2016 statement of cash flows.

22. 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 2016, lease payments of $2,063,000 relating to the building were expensed (2015 - $2,139,000).

At December 31, 2016, the Corporation is committed to payments under operating leases as follows:

Less than 1 year	$ 2,617
1-3 years	4,382
4-5 years	1,227
Thereafter	1,480
Total minimum lease payments	$ 9,706

23. Commitments and contingencies:

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

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, 2016, no royalties have been incurred to date for this agreement.

23. Commitments and contingencies (cont'd):

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, 2016, no royalties have been incurred to date for this agreement.

On December 31, 2008, the Corporation completed a restructuring agreement ("Arrangement") with Superior Plus Income Fund ("Superior Plus"), whereby the Corporation 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 held all of the same assets, liabilities, directors, management and employees as the Corporation formerly had under its old corporate entity, except for its tax attributes. The Arrangement included an indemnification agreement (the "Indemnity Agreement") which set out each party's continuing obligations to the other including a provision for adjustments to be paid by the Corporation, or to the Corporation, depending on the final determination of the amount of the Corporation's 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. In 2015, an agreement was reached and the Corporation signed mutual releases with Superior Plus as to the full and final amount payable to the Corporation under the Indemnity Agreement and received additional cash proceeds of $3,347,000 in February 2016 (note 20). The cash proceeds receivable have been recorded as a credit to shareholders' equity as of December 31, 2015 consistent with the accounting for the original transaction in 2008.

At December 31, 2016, the Corporation has outstanding commitments aggregating up to a maximum of $3,863,000 (2015 - $432,000) relating primarily to the ongoing implementation of an ERP management reporting software system and for purchases of property, plant and equipment.

24. 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, 2016	December 31, 2015
Salaries and employee benefits	$ 57,735	$ 47,762
Share-based compensation (note 20)	3,024	2,950
	$ 60,759	$ 50,712

25. Other operating expense:

	December 31, 2016	December 31, 2015
Net impairment loss (recovery) on trade receivables	$ (63)	$ (899)
Restructuring costs (recovery)	2,318	(13)
Acquisition costs (note 7)	43	1,542
	$ 2,298	$ 630

In 2016, the Corporation recorded net impairment recoveries of ($63,000) consisting of new impairment charges of $390,000 primarily due to impairment of certain individually insignificant past due receivables from a variety of customers as a result of continued non-payment, offset by cash collected of $453,000 on previously impaired accounts. 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.

In 2015, net impairment recoveries on trade receivables of ($899,000) consists of recoveries of ($1,355,000) as the Corporation collected on certain trade receivables principally in Asia that were previously impaired, partially offset by new impairment charges of $456,000.

Restructuring charges of $2,318,000 incurred during 2016 relate to cost reduction initiatives that included the elimination of approximately 50 positions including the elimination of three executive level positions and costs associated with the closure of the contract manufacturing facility in Tijuana, Mexico. These cost reduction initiatives were primarily focused on reducing the operating cost base associated with methanol Telecom Backup Power activities as the Corporation continued to review strategic alternatives for these assets prior to the transaction with Chung-Hsin Electric & Machinery Manufacturing Corporation (note 27).

Further acquisition integration costs of $43,000 were incurred in 2016 related to the 2015 acquisition of Protonex.

26. Finance income and expense:

	2016	2015
Employee future benefit plan expense (note 19)	$ (263)	$ (291)
Pension administration expense	(103)	(103)
Investment and other income	164	143
Unrealized gain (loss) on forward foreign exchange contracts	151	(287)
Other income (loss)	(52)	-
Foreign exchange gain (loss)	(674)	233
Finance (loss) and other	$ (777)	$ (305)
Finance expense	$ (686)	$ (794)

27. Loss on sale of assets:

During the year ended December 31, 2016, the Corporation completed the sale of certain of its methanol Telecom Backup Power business assets to CHEM, a Taiwanese power equipment company, for a purchase price of up to $6,100,000 of which $3,000,000 was received on closing. The remaining potential purchase price of up to $3,100,000 consists of an earn-out arising from sales of methanol Telecom Backup Power systems by CHEM during the 18-month earn-out period to November 2017 derived from the sales pipeline transferred to CHEM on closing.

During the year ended December 31, 2016, the Corporation recorded a loss on sale of these assets of $632,000 based on the estimated fair value of the earn-out payments of approximately $1,838,000. The final gain (loss) on sale arising from the CHEM transaction is subject to change depending upon the final earn-out amount actually received by the Corporation through November 2017. On the closing of this transaction, CHEM received assets related to the methanol Telecom Backup Power line of the business including intellectual property rights and physical assets such as inventory and related product brands.

Cash proceeds received	$ 3,000
Proceeds receivable (fair value of earn-out payments)	1,838
Total proceeds	4,838
Less: Disposition costs	(88)
Net proceeds	4,750
Less: Net book value of disposed assets	(5,382)
Loss on sale of assets	$ (632)

Various miscellaneous disposals also occurred in the year ended December 31, 2016, resulting in a gain on sale of property, plant, and equipment of $9,000.

28. Impairment charges on intangible assets and property, plant and equipment:

During the year ended December 31, 2016, the Corporation recorded total impairment losses of $1,151,000, consisting of a $770,000 impairment charge on intangible assets and a $381,000 impairment charge on property, plant and equipment as the Corporation wrote-off certain methanol Telecom Backup Power assets to their estimated net realizable value of $nil. The impairment charges were incurred while the Corporation was reviewing strategic alternatives for the Corporation's methanol Telecom Backup Power assets prior to concluding the transaction with CHEM (note 27).

29. 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:

	2016	2015
Current tax expense		
Current period income tax	$ 3	$ 5
Withholding tax	378	206
Adjustment for prior periods	-	-
Total current tax expense	$ 381	$ 211
Deferred tax expense		
Origination and reversal of temporary differences	$ (10,002)	$ 14,144
Adjustments for prior periods	395	2,874
Change in unrecognized deductible temporary differences	9,607	(17,018)
Total deferred tax expense	$ -	$ -
Total income tax expense	$ 381	$ 211

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:

	2016	2015
Net loss before income taxes	$ (21,306)	$ (6,363)
Expected tax recovery at 26.00% (2015 – 26.00%)	$ (5,540)	$ (1,654)
Increase (reduction) in income taxes resulting from:		
Non-taxable portion of capital gain	11	(2,213)
Non-deductible expenses	926	1,875
Expiry of losses and investment tax credits	86	1,181
Investment tax credits earned	(3,153)	(2,883)
Foreign tax rate differences	(633)	(304)
Change in unrecognized deductible temporary differences	8,684	4,209
Income taxes	$ 381	$ 211

(b) Unrecognized deferred tax liabilities:

At December 31, 2016, the Corporation has not recognized any deferred tax liabilities resulting from taxable temporary differences for financial statement and income tax purposes.

29. Income taxes (cont'd):

(c) Unrecognized deferred tax asset:

At December 31, 2016, the Corporation did not have any deferred tax assets resulting from the following deductible temporary differences for financial statement and income tax purposes.

	2016	2015
Scientific research expenditures	$ 69,157	$ 58,385
Accrued warranty provision	14,064	17,079
Share issuance costs	2,000	2,605
Losses from operations carried forward	101,129	89,872
Investment tax credits	27,586	23,757
Property, plant and equipment and intangible assets	154,485	149,892
	$ 368,421	$ 341,590

Deferred tax assets have not been recognized in respect of these deductible temporary differences because it is not currently 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:

	2016	2015
Canadian scientific research expenditures	$ 69,157	$ 58,385
Canadian losses from operations	39,634	31,990
Canadian investment tax credits	27,586	23,749
German losses from operations for corporate tax purposes	555	303
U.S. federal losses from operations	34,329	30,320
Denmark losses from operations	26,603	27,259
Hong Kong losses from operations	7	0

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 2028 to 2036.

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 2019 to 2036.

29. 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:

2019	$ 1,756
2020	1,426
2021	1,344
2022	1,078
2023	762
2024	940
2025	1,349
2026	1,578
2029	3,529
2030	2,417
2031	2,246
2032	1,954
2033	1,714
2034	1,619
2035	1,746
2036	2,128
	$ 27,586

30. Related party transactions:

Related parties include shareholders with a significant ownership interest in the Corporation, including its subsidiaries and affiliates, and the Corporation's equity accounted investee. The revenue 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 year ended December 31, 2016 and 2015, related party transactions and balances were limited to transactions with our 10% equity accounted investee, Synergy JVCo as follows:

Balances with related parties:	2016	2015
Investments	$ 1,185	$ -
Trade and other payables	1,005	-
Deferred revenue	15,501	-

Transactions during the year with related parties:	2016	2015
Revenues	$ 4,389	$ -
Purchases	-	-

30. Related party transactions (cont'd):

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).

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, financial planning allowance and relocation allowances and services as necessary.

The employment agreements for the executive officers vary by individual. The maximum obligation that is required to be provided in the event of termination is 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. The minimum obligation that is required is limited to that required by employment standards legislation plus one day for every full month of employment since hire date, with no distinction made for a change of control situation.

Key management personnel compensation is comprised of:

	2016	2015
Salaries and employee benefits	$ 3,026	$ 2,164
Post-employment retirement benefits	74	49
Termination benefits	1,982	-
Share-based compensation (note 20)	1,184	1,006
	$ 6,266	$ 3,219

31. Supplemental disclosure of cash flow information:

Non-cash financing and investing activities:	2016	2015
Compensatory shares	$ 459	$ 557
Shares issued for acquisition of intangible assets (note 11)	$ -	$ 13,698
Earn-out receivable on sale of assets	$ 1,838	$ -

32. Operating segments:

The Corporation operates in a single segment, Fuel Cell Products and Services, which consists of the design, development, manufacture, sale and service of PEM fuel cell products for a variety of applications, focusing on the power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions, including engineering services, technology transfer and the licensing and sale of the Corporation's extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

In 2016, revenues included sales to three individual customers of $27,785,000, $13,916,000 and $12,775,000, respectively, which each exceeded 10% of total revenue.

In 2015, revenues included sales to three individual customers of $14,517,000, $12,674,000 and $8,605,000, respectively, which each 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	2016	2015
China	$ 33,440	$ 12,777
U.S.	27,547	19,643
Germany	14,318	15,046
India	-	2,195
Taiwan	1,777	1,061
Japan	1,508	993
France	1,201	844
Denmark	1,005	656
Nepal	918	-
Belgium	812	58
Canada	680	917
Other countries	2,064	2,273
	$ 85,270	$ 56,463

Non-current assets by geographic area are as follows:

Non-current assets	December 31, 2016	December 31, 2015
Canada	$ 58,649	$ 57,096
U.S.	15,698	16,299
China	180	-
Denmark	82	26
Mexico	-	336
	$ 74,609	$ 73,757

33. Financial instruments:

(a) Fair value:

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, debt to non-controlling interests, 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 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.

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) Financial risk management:

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

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 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 and cash equivalents 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 an economic hedge. Periodically, the Corporation also enters into forward foreign exchange contracts to further limit its exposure. At December 31, 2016, the Corporation held Canadian dollar denominated cash and cash equivalents of CDN $16,132,000 and outstanding forward foreign exchange contracts to sell a total of CDN $ 10,750,000 in 2017 at an average rate of CDN $1.32 to US $1.00.

33. Financial instruments (cont'd):

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

The following exchange rates applied during the year ended December 31, 2016:

	$U.S. to $1.00 CDN	$CDN to $1.00 U.S.
January 1, 2016 Opening rate	$ 0.723	$ 1.384
December 31, 2016 Closing rate	$ 0.745	$ 1.3427
Fiscal 2016 Average rate	$ 0.754	$ 1.326

Based on cash and cash equivalents and forward foreign exchange contracts held at December 31, 2016, a 10% increase in the Canadian dollar against the U.S. dollar, with all other variables held constant, would result in an increase in foreign exchange gains of approximately $2,002,000 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, 2016, there were no outstanding forward platinum contracts under the Forward Contract Facility.

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 and cash equivalents. 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, 2016, a 0.25% decline in interest rates, with all other variables held constant, would result in a decrease in investment income of $182,000. If interest rates had been 0.25% higher, there would be an equal and opposite impact on net income.

33. Financial instruments (cont'd):

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

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 accounts receivable. 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.

34. Subsequent events:

Change in ownership in Ballard Power Systems Europe

On January 5, 2017, the Corporation purchased all of the shares in its European subsidiary held by Dansk Industri Invest A/S (previously Dantherm A/S). As a result, the Corporation now owns 100% of its subsidiary in Europe, BPSE (formerly Dantherm Power A/S) effective as of January 5, 2017. The Corporation previously held 57% of the shares in BPSE before purchasing the remaining 43% of shares from Dansk Industri Invest A/S.

For a nominal payment of $43,000, the Corporation acquired the remaining shares and obtained the cancellation of debt owed by BPSE to Dansk Industri Invest A/S of $521,000.

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 March 1, 2017 and should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2016. 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") as issued by the International Accounting Standards Board. 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 power system development and commercialization. Our principal business is the design, development, manufacture, sale and service of PEM fuel cell products for a variety of applications, focusing on our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions, including engineering services, technology transfer 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's clean-energy fuel cell products feature high fuel efficiency, relatively low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, and modular design. Embedded in each Ballard fuel cell product lies a stack of unit cells designed with our proprietary PEM technology which draws on intellectual property from our patent portfolio together with our extensive experience and know-how in key areas of fuel cell stack design, operation, production processes and systems integration.

We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading fuel cell products to meet the needs of our customers in select target markets.

We are pursuing a corporate strategy and business model that mitigates risk by diversifying our business across a portfolio of market opportunities that are enabled by substantially the same core competencies, technology, products and intellectual property. Our business model includes two growth platforms, multiple markets within each of these platforms, geographic diversification and customer diversification.

We are also pursuing a strategy that provides us with the opportunity for near-term commercialization, revenue and profitability, while also enabling significant future value based on longer-term market opportunities for our technology, products and intellectual property, such as the global automotive fuel cell market.

Our two-pronged approach is to build shareholder value through the sale and service of power products and the delivery of technology solutions. In power product sales, our focus is on meeting the power needs of our customers by delivering high value, high reliability, high quality and innovative 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.

Starting in 2015, we increased our efforts on growing our business in China. China represents a potentially unique opportunity for clean energy solutions, given the convergence of macro trends that include:

- continued urbanization of China's population;
- continued infrastructure development and build-out of mass urban transportation;
- the large size and continued growth of the Chinese vehicle market;
- rapid adoption of electric vehicles in China;
- serious air quality challenges in a number of Chinese cities;
- a Chinese government mandate to address climate change; and
- strong national and local government commitment supporting the adoption and commercialization of fuel cells in transportation applications, including the implementation of supporting subsidy programs.

We have been pursuing a strategy that includes the development of a local fuel cell supply chain and related ecosystem to address the fast-growing clean energy bus and commercial vehicle markets in China. As part of our strategy, we are pursuing technology transfer and licensing opportunities with Chinese partners in order localize the manufacture of Ballard-designed fuel cell modules and stacks for heavy-duty motive applications in China, including bus, commercial vehicles and light-rail train applications. Key elements of our strategy include adopting a risk-adjusted and capital-light business model where we mitigate market adoption risk and capital investment by engaging partnerships with strong local companies that market our products and invest in manufacturing operations and supply chain localization. We typically seek to structure our arrangements in a way that provide us with the payment from our partners of significant value for technology transfer early in the transfer process, requirements for ongoing purchases by our partners of component supply by us, and the requirement of our partners to comply with certain performance conditions and reporting requirements, including quality, branding, intellectual property and minimum payments. We believe these typical deal structures provide for near-, mid- and long-term revenue and cash flow streams by building in program phases, technology transfer payments, license payments, required supply purchases, and recurring royalty structures. We also typically structure our commercial deals in China to restrict sales within China and to position Ballard as the exclusive purchaser of modules or stacks manufactured by our partners in China for sale outside of China. We believe this structure provides us with additional flexibility in satisfying global market demand for our modules and stacks by supplementing or mitigating our mid- and long-term manufacturing strategy.

We also structure our business model in China to protect our core intellectual property. For example, we do not provide technology transfer and licensing relating to the manufacture of our proprietary membrane electrode assemblies ("MEAs"), key technology components in our fuel cell stacks. We currently plan to continue to manufacture our MEAs in our head office facilities in Burnaby, Canada. Also, we typically restrict technology transfer and licenses to current generation technology and products. We continue to make significant investment in next generation products and technology, including modules and systems integration, stacks, and MEAs. We reserve flexibility on how we introduce these next generation products to the markets, including to China.

We are based in Canada, with head office, research and development, testing, manufacturing and service facilities in Burnaby, British Columbia. In the United States, we have a sales, manufacturing, research and development facility in Southborough, Massachusetts, and have a sales, service and research and development facility in Hobro, Denmark. We've also recently announced the opening of our first corporate office headquartered in Guangzhou, the capital of Guangdong Province, China. This office will serve as the Company's initial operations center in China, supporting management, sales and business development, technical, after-sales and administrative support personnel.

RECENT DEVELOPMENTS

On February 16, 2017, we announced that the signing of definitive agreements relating to technology transfer, licensing and supply arrangements with strategic partner Zhongshan Broad-Ocean Motor Co., Ltd. ("Broad-Ocean") for the assembly and sale of FCveloCity® 30-kilowatt (kW) and 85kW fuel cell engines in China. Under the deal, Broad-Ocean will manufacture fuel cell modules in three strategic regions in China, including Shanghai. The deal has an estimated value of approximately $25 million in revenue to Ballard over the initial 5-year term, including approximately $12 million in Technology Solutions revenue. In each of the three assembly operation locations, Broad-Ocean plans to engage with local governments as well as with bus and commercial vehicle OEMs for deployment of fuel cell buses and commercial vehicles incorporating Ballard-designed modules manufactured by Broad-Ocean. Broad-Ocean will make payments to Ballard at closing and based on certain commissioning milestones, initial supply agreements, and recurring royalty payments. Ballard will also have the exclusive right to purchase fuel cell engines from any of the Broad-Ocean manufacturing operations for sale outside China. Each fuel cell engine assembled by Broad-Ocean will use FCvelocity®-9SSL fuel cell stacks, initially manufactured by Ballard at its Vancouver HQ facility. Stack supply will be transferred to Guangdong Synergy Ballard Hydrogen Power Co., Ltd. ("Synergy JVCo"), the joint venture owned by Guangdong Nation Synergy Hydrogen Power Technology Co. Ltd. (a member of the "Synergy Group") and Ballard in the City of Yunfu in China's Guangdong Province, once Synergy JVCo becomes fully operational, expected in late-2017. From that time forward, Ballard will supply MEAs on an exclusive basis for stacks manufactured by Synergy JVCo. This transaction is subject to customary closing conditions and is expected to close by Q2 2017. Founded in 1994, Broad-Ocean is headquartered in the City of Zhongshan in Guangdong Province and is listed on the Shenzhen Stock Exchange. Broad Ocean is a leading global manufacturer of motors that power small and specialized electric machinery for electric vehicles (EVs), including buses, commercial vehicles and passenger vehicles, and for heating, ventilation and air conditioning (HVAC). Broad-Ocean's EV Operations Platform operates a commercial vehicle leasing business in China through which it buys new energy vehicles, including EVs, and subsequently leases these buses and commercial vehicles. Broad-Ocean has now expanded this business to include fuel cell vehicles. On July 18, 2016 Broad-Ocean signed an agreement with partner companies relating to the purchase of up to 10,000 fuel cell vehicles, including buses and delivery trucks, all of which are expected to have Ballard's leading PEM fuel cell technology inside. On August 18, 2016 Broad-Ocean became Ballard's largest shareholder following an investment of $28.3 million in Ballard common shares, representing approximately 9.9% of Ballard's outstanding common shares following the transaction.

The Broad-Ocean investment, initially announced on July 26, 2016, was made through a subscription and purchase of 17.25 million Ballard common shares issued from treasury at a price per share of $1.64 (based on a 20-day volume weighted average price calculation). The investment represents approximately 9.9% of Ballard's outstanding common shares following the transaction. Ballard intends to use the proceeds from the financing for general corporate purposes, including funding of potential future acquisitions or investments in complementary businesses, products or technologies. Broad-Ocean and Ballard have also entered into an Investor Rights Agreement under which Broad-Ocean has agreed to a two-year hold period on the 17.25 million Ballard common shares that it has purchased in the financing; has provided Ballard with a right of first refusal to sell to Broad-Ocean additional treasury shares if Broad-Ocean wishes to increase its ownership position up to 20%; and has agreed to certain "standstill" provisions effective for a two-year period under which Broad-Ocean will not purchase more than 19.9% of Ballard's outstanding common shares without receiving Ballard board approval. Ballard granted Broad-Ocean certain anti-dilution rights to maintain its 9.9% ownership interest. Finally, Broad-Ocean has no special right to appoint nominees to Ballard's board of directors.

On February 14, 2017, we announced the opening of our first corporate office headquartered in Guangzhou, the capital of Guangdong Province, China. This office will serve as the Company's initial operations center in China, supporting management, sales and business development, technical, after-sales and administrative support personnel. The Company also recently completed the registration of a wholly foreign-owned enterprise (WFOE) with the name of 广州市巴拉德动力系统有限公司 (Guangzhou Ballard Power Systems Co., Ltd.).

On February 13, 2017, we announced the Company's membership in the "Fuel Cell Electric Bus Commercialization Consortium" (FCEBCC), a large-scale project for which funding has now been committed to support deployment of 20 zero-emission hydrogen fuel cell electric buses at two California transit agencies. Ten buses are to be deployed with Alameda Contra-Costa Transit District (AC Transit) and 10 buses are to be deployed with the Orange County Transportation Authority (OCTA). Ballard will be providing 20 of its FCveloCity®-HD 85-kilowatt fuel cell engines to New Flyer of America Inc., a subsidiary of New Flyer Industries Inc. ("New Flyer"), the largest transit bus and motor coach manufacturer and parts distributor in North America. Ballard's engines will power New Flyer 40-foot Xcelsior XHE40 fuel cell buses, which are planned to be delivered and in-service with AC Transit and OCTA by the end of 2018. The buses are to be supported by advanced hydrogen fueling infrastructure provided by The Linde Group.

On January 24, 2017, we announced the signing of an initial Equipment Sales Agreement with Zhuhai Yinlong Energy Group ("Yinlong"), a major Chinese manufacturer of battery electric buses, for 10 FCveloCity®-MD 30-kilowatt fuel cell engines. Ballard plans to deliver the engines in 2017 for integration into Yinlong buses that are expected to be deployed in Beijing.

On January 19, 2017, we announced that our subsidiary, Protonex Technology Corporation ("Protonex"), received certification from the U.S. Government enabling its SPM-622 (Squad Power Manager) and VPM-402 (Vest Power Manager) products to be exported under the Commerce Department's Export Administration Regulations, classification EAR99. With this classification, these products can be sold to allied military partners as well as commercial customers without the need for an export license. On June 1, 2016, we announced that Protonex had received a $5.8 million follow-on purchase order for the supply of Squad Power Manager (SPM-622) Special Operations Kits for end customer U.S. Special Operations Command. The purchase order represents follow-on business from a $2.8 million SPM order from the same customer received in December 2015. The purchase order was issued by the Program Executive Office – Soldier, as part of the Nett Warrior program ("Nett Warrior"). Amounts earned from these agreements ($1.4 million in the fourth quarter of 2016; $6.4 million in fiscal 2016; $1.7 million in the fourth quarter of 2015 and in fiscal 2015) are recorded as Portable Power revenues.

On January 10, 2017, we announced that we had purchased all of the shares in the Company's European subsidiary held by Dansk Industri Invest A/S (previously Dantherm Air Handling A/S). As a result, Ballard now owns 100% of the Company's subsidiary in Europe, Ballard Power Systems Europe A/S (formerly Dantherm Power A/S). Ballard held 57% of the shares in Ballard Power Systems Europe A/S before purchasing the remaining 43% of shares from Dansk Industri Invest A/S on January 5th, 2017. For a nominal payment, Ballard acquired the remaining shares and obtained the cancellation of debt owed by Ballard Power Systems Europe A/S to Dansk Industri Invest A/S of approximately $0.5 million.

On November 29, 2016, we announced the signing of a Long-Term Sales Agreement ("LTSA") with Solaris Bus & Coach ("Solaris), a bus OEM headquartered in Poland, for the sale and supply of fuel cell modules to support deployment of Solaris fuel cell buses in Europe. An initial order was placed under the LTSA for 10 FCveloCity®-HD fuel cell modules, with deliveries planned to start in 2017.

On October 25, 2016, we announced the closing of a transaction with the Synergy Group for the establishment of an FCvelocity ®-9SSL fuel cell stack production operation in the City of Yunfu, in Guangdong Province, China. The transaction was originally announced on July 18, 2016. The fuel cell stacks will be packaged into locally-assembled fuel cell engines and integrated into zero-emission buses and commercial vehicles in China. The transaction has a contemplated minimum value to Ballard of approximately $170 million over 5-years. As of the closing of this transaction in October 2016, we had received payments totaling $10.9 million and received further payments of $8.1 million in December 2016 in relation to a contract milestone, for total receipts of $19.0 million. The transaction includes these key elements:

- Ballard is expected to receive approximately $20 million for technology transfer services, test equipment, production equipment specification and procurement services, training and commissioning support in relation to the establishment of a production line in Yunfu for the manufacture and assembly of FCvelocity®-9SSL fuel cell stacks, with most of this revenue expected to be recognized in the fourth quarter of 2016 through 2017 Amounts earned from these agreements ($4.4 million in the fourth quarter of 2016 and in fiscal 2016) are recorded as Technology Solutions revenues;

- A joint venture - named Guangdong Synergy Ballard Hydrogen Power Co., Ltd. (“Synergy JVCo”) - has been registered in China to undertake the FCvelocity®-9SSL fuel cell stack manufacturing operations, with Synergy JVCo owned 90% by the Synergy Group and 10% by Ballard; and
- On commissioning of the stack production line, expected in late 2017, Ballard will be the exclusive supplier of membrane electrode assemblies (“MEA”s) for each fuel cell stack manufactured by Synergy JVCo, with minimum annual MEA volume commitments on a “take or pay” basis totaling in excess of $150 million over the initial 5-year term from 2017 to 2021. Amounts earned from the MEA supply agreement (nil in fiscal 2016) will be recorded as Heavy-Duty Motive revenues.

During March 2017, Ballard plans to contribute approximately $1.0 million for its 10% interest in Synergy JVCo. Under the terms of the agreement, Ballard has the right to appoint one of the three Synergy JVCo board directors, has veto rights over certain key Synergy JVCo decisions, and has no further obligation to provide future funding to Synergy JVCo. Ballard’s CEO, Randall MacEwen, was appointed to the board of Synergy JVCo effective as of closing. After commissioning of the operation, Synergy JVCo will have an exclusive right to manufacture and sell FCvelocity®-9SSL stacks in China. Exclusivity will be subject to certain performance criteria of Synergy JVCo, including compliance with a code of ethics, compliance with Ballard’s quality policies, compliance with Ballard’s branding policies, achievement of the minimum annual “take or pay” MEA volumes, compliance with payment terms, and compliance with certain intellectual property covenants. Ballard will have the exclusive right to purchase FCvelocity®-9SSL fuel cell stacks and sub-components from Synergy JVCo for sale outside China.

On July 11, 2016, we announced the signing of definitive agreement with the Synergy Group for a Technology Solutions transaction to enable Synergy Group to exclusively manufacture and sell Ballard's direct hydrogen FCgen®-H2PM fuel cell backup power systems in China. Under the agreement, Ballard will license the designs of its 1.7 and 5 kilowatt FCgen®-H2PM systems to Synergy Group for manufacture in the City of Yunfu in Guangdong Province and for exclusive sales in China. Synergy Group prepaid Ballard an upfront Technology Solutions fee of $2.5 million in the second quarter of 2016 for the license and related technology services. Synergy Group is required to make additional license royalty payments to Ballard for each FCgen®-H2PM system that it manufactures and sells, subject to annual minimums starting in 2018. Ballard will also be the exclusive supplier of air-cooled fuel cell stacks to Synergy Group for use in the FCgen®-H2PM systems that it produces and sells. Technology transfer work performed under this agreement is recorded as Technology Solutions revenues ($0.8 million in the fourth quarter of 2016; $1.3 million in fiscal 2016) whereas sales of fuel cell stacks will be recorded as Backup Power revenues.

During the second quarter of 2016, we completed the sale of certain of our methanol Telecom Backup Power business assets to Chung-Hsin Electric & Machinery Manufacturing Corporation (“CHEM”), a Taiwanese power equipment company, for a purchase price of up to $6.1 million of which $3 million was paid on closing (the “CHEM Transaction”). The remaining potential purchase price of up to $3.1 million consists of an earn-out arising from sales of methanol Telecom Backup Power systems by CHEM during the 18-month period to November 2017 derived from the sales pipeline transferred to CHEM on closing. During the second quarter of 2016, we recorded a loss on sale of assets of ($0.4) million after estimating the fair value of the remaining potential purchase price of up to $3.1 million to approximate $1.8 million. The final gain (loss) on sale arising from the CHEM Transaction is subject to change depending upon the final earn-out amount actually received by Ballard through November 2017. On the closing of this transaction, CHEM received certain assets related to the methanol Telecom Backup Power line of our business including intellectual property rights, and physical assets such as inventory and related product brands. We also transferred to CHEM a number of our engineering, sales, and service employees involved in this business. Ballard continues to retain the Company's direct hydrogen fuel cell backup power system assets, primarily in our Ballard Power Systems Europe A/S subsidiary (formerly named Dantherm Power A/S) located in Denmark. The direct hydrogen fuel cell backup power system has since been rebranded FCgen®-H2PM. As noted above, certain designs of the FCgen®-H2PM system were exclusively licensed to Synergy Group for manufacture and sale in China.

In the CHEM Transaction, we also signed a fuel cell stack supply agreement with CHEM which includes minimum sales of $2 million over an 18-month period. Amounts earned under the fuel cell stack supply agreement with CHEM ($0.6 million in the fourth quarter of 2016; $1.7 million in fiscal 2016) are recorded as Backup Power revenues.

In early 2016, in parallel to our review of strategic alternatives for our methanol Telecom Backup Power assets, we implemented a cost reduction initiative, primarily focused on reducing our operating cost base associated with our methanol Telecom Backup Power activities. As part of this cost reduction initiative, three executives departed from the Company effective March 31, 2016. Responsibilities of the departed executives have been assumed by other management personnel. During fiscal 2016, total restructuring charges of ($2.3) million were expensed as a result of these cost reduction initiatives that included the elimination of approximately 50 positions, including the three executive-level positions, as well as costs associated with the closure of the contract manufacturing facility in Tijuana, Mexico. We also recorded impairment losses of ($1.2) million in the first quarter of 2016 related to a write-down of certain methanol Telecom Backup Power intangible assets and property, plant and equipment.

On December 31, 2008, we completed a restructuring agreement (“Arrangement”) with Superior Plus Income Fund (“Superior Plus”), 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 held all of the same assets, liabilities, directors, management and employees as Ballard formerly had under its old corporate entity, except for its tax attributes. The Arrangement included an indemnification agreement (the "Indemnity Agreement") which set out each party’s continuing obligations to the other including a provision 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. In 2015, we reached agreement and signed mutual releases with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement and received final cash proceeds of $3.3 million (Canadian $4.6 million) in February 2016. The settlement proceeds were recorded as a credit to shareholders’ equity in fiscal 2015 consistent with the accounting of the original transaction in 2008.

On January 21, 2016, we announced the signing of an equipment supply agreement, valued at $12 million, with an existing partner in China, Guangdong Synergy Hydrogen Power Technology Co., Ltd. (a member of the “Synergy Group”) to provide FCvelocityTM-9SSL fuel cell stacks for range extension applications in commercial vehicles in China. Ballard expects to deliver the stacks in 2016 and 2017. Synergy Group will collaborate with Dongfeng Xiangyangtouring Car Co., Ltd. (“DFAC”), which is part of Dongfeng Motor Corporation, a Chinese state-owned automobile manufacturer headquartered in Wuhan. Amounts earned from this agreement ($2.5 million in the fourth quarter of 2016; $7.9 million in fiscal 2016) are recorded as Heavy-Duty Motive revenues.

On November 10, 2015, we announced that we had closed a $5 million strategic equity investment in Ballard by Nisshinbo Holdings Inc. (“Nisshinbo”) in Japan, as previously announced on October 27, 2015. The investment was made through a private placement subscription of approximately 3.3 million Ballard common shares issued from treasury at $1.5049 per share (based on a 10-day volume weighted average share price calculation). Nisshinbo provides low-carbon, optimized products across a range of business lines, including chemicals, precision instruments, electronics, automotive brakes, textiles and paper. Nisshinbo has been a long-time leading global supplier of carbon plates, used in the construction of membrane electrode assemblies (“MEA’s”), to the fuel cell industry. On January 20, 2016, we announced that we had received a follow-on purchase order from Nisshinbo for a further phase of a Technology Solutions program related to the development of a breakthrough catalyst technology intended to reduce the cost of certain proton exchange membrane (PEM) fuel cells. The program has advanced through numerous phases during the past three years.

On November 1, 2015, we announced that the signing of a definitive agreement with Tangshan Railway Vehicle Company, Limited (“TRC”) for the development of a new fuel cell module that will be designed to meet the requirements of tram or Modern Ground Rail Transit Equipment applications. This agreement, with a value of approximately $3 million, contemplates that TRC trams will use next-generation Ballard fuel cell power modules designed specifically for the Modern Ground Rail Transit Equipment application. The purpose-designed product is expected to deliver at least 200 kilowatts of power. Amounts earned from this agreement ($0.6 million in the fourth quarter of 2016; $2.0 million in fiscal 2016; $0.5 million in the fourth quarter of 2015 and in fiscal 2015) are recorded as Technology Solutions revenue.

On October 1, 2015, we completed the acquisition of Protonex, a leading designer and manufacturer of advanced power management products and portable fuel cell solutions. The signing of a definitive agreement to acquire Protonex was previously announced on June 29, 2015. As consideration for the transaction, we assumed and paid certain of Protonex’ debt obligations and transaction costs on closing of approximately $3.8 million, and issued 11.4 million of Ballard shares at fair value of $1.20 per share, or approximately $13.7 million, for total purchase consideration of $17.5 million.

On September 28, 2015, we announced the signing of a joint development agreement and a supply agreement to develop and commercialize a fuel cell engine specifically designed for integration into low floor trams manufactured by CRRC Qingdao Sifang Company, Ltd. ("CRRC Sifang"), a Chinese rolling stock manufacturer. The agreements include delivery of ten customized FCvelocity® modules and have an initial expected value of approximately $6 million. Ballard plans to develop a new prototype configuration of its FCvelocity® fuel cell module to deliver 200 kilowatts of net power for use in powering trams in urban deployments. An initial deployment of eight fuel cell-powered trams is planned by CRRC Sifang and the City of Foshan on the Gaoming Line is expected to start in 2018. Amounts earned from this agreement ($0.1 million in the fourth quarter of 2016; $0.9 million in fiscal 2016; nil in fiscal 2015) are recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

On September 25, 2015, we announced the signing of a long-term license and supply agreement with Synergy Group to provide fuel cell power products and technology solutions in support of the planned deployment of approximately 300 fuel cell-powered buses in the cities of Foshan and Yunfu, China. The agreement has an estimated initial value of approximately $17 million with the opportunity for significant recurring royalties starting in 2017. The agreement includes the supply and sale of fully-assembled 30kW to 85kW fuel cell power modules, ready-to-assemble module kits, a technology license for localization of assembly, supply of proprietary fuel cell stacks and long-term recurring royalties leveraged to unit volumes of locally assembled modules. Amounts earned from this agreement ($6.6 million in the fourth quarter of 2016; $13.7 million in fiscal 2016; $2.9 million in the fourth quarter of 2015 and in fiscal 2015) are recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

On September 24, 2015, we announced that we are developing, and plan to launch, two new configurations of our FCvelocity ®-HD7 fuel cell module in 2016. The two new module configurations will expand Ballard's product portfolio and provide customers with increased flexibility to address a range of emerging power needs in heavy-duty transit applications, such as buses. Ballard's latest-generation FCvelocity®-HD7 was launched in a net 85kW power configuration in June 2015 at the UITP World Congress and Exhibition in Milan, Italy. This initial 85kW configuration will typically be used to power large urban transit buses. The two new product configurations deliver net power of 30kW and 60kW, respectively, with sales launched in 2016 to power smaller buses and to provide range extension solutions. During fiscal 2016 and 2015, FCvelocity®-HD7 development costs of $1.1 million and $1.4 million, respectively, were capitalized as fuel cell technology intangible assets.

On July 22, 2015, we announced the signing of an agreement to provide a 1 megawatt (1MW) ClearGen™ fuel cell distributed generation system for Hydrogène de France ("HDF") which will be deployed at an Akzo Nobel sodium chlorate chemical plant in Ambres near Bordeaux, France. The program agreement is structured in two phases. Under the first phase, completed in 2016, Ballard received an initial payment of €1.7 million to undertake engineering services and core component development work. Under the second phase, targeted for completion in late 2017, Ballard received an additional €1.6 million in February 2017 for onsite assembly and commissioning. Amounts earned from this agreement ($0.2 million in the fourth quarter of 2016; $1.0 million in fiscal 2016; $0.7 million in the fourth quarter of 2015; $0.8 million in fiscal 2015) are recorded as Technology Solutions revenue.

On June 8, 2015, we announced the signing of definitive license and supply agreements with Nantong Zehe New Energy Technology Co., Ltd. ("Nantong Zehe") and Synergy Group to provide fuel cell power products and technology solutions to support the planned deployment of an initial 33 fuel cell-powered buses in two Chinese cities. The agreements have an estimated value of approximately $10 million, the majority of which was recognized in 2015. The agreements include an initial order from Nantong Zehe (announced in April 2015) for the supply of FCvelocity®-HD7 bus power modules to power eight buses in addition to new orders for the supply of additional power products and technology solutions including a non-exclusive license for local assembly of FCvelocity®-HD7 bus power modules for use in clean energy buses in China. In addition, Ballard will be the exclusive supplier of its proprietary fuel cell stacks for use in power modules assembled in China under these agreements. Amounts earned from these agreements (nil in the fourth quarter of 2016; $0.5 million in fiscal 2016; $0.9 million in the fourth quarter of 2015; $8.6 million in fiscal 2015) are recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

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 (see below for additional details). Under the transfer agreement (the "Volkswagen IP Agreement"), Ballard transferred to Volkswagen ownership of the automotive-related portion of the fuel cell intellectual property assets previously acquired by us from United Technologies Corporation ("UTC") on April 24, 2014 (the "UTC Portfolio"), through two separate transactions with Volkswagen for total gross proceeds of $50 million:

(i) On the closing of the initial transaction on February 23, 2015, Ballard transferred ownership of the automotive-related patents and patent applications of the UTC Portfolio in exchange for gross proceeds of $40 million. This receipt triggered a 25%, or $10.0 million, license fee payment to UTC. Although ownership of the UTC patents and patent applications was transferred to Volkswagen, Ballard received a royalty-free back-license to all of the transferred UTC patents and patent applications for use in all non-automotive applications, in bus applications and in certain limited pre-commercial automotive applications. On the closing of the sale of the automotive-related patents and patent applications of the UTC Portfolio in the first quarter of 2015, we recognized a gain on sale of intellectual property of $14.2 million on net proceeds of $29.5 million. We retain a royalty obligation to pay UTC a portion (typically 25%) of all future intellectual property sale and licensing income generated from our intellectual property portfolio until April 2029.

(ii) On the closing of the second transaction on December 2, 2015, Ballard transferred a copy of the automotive-related know-how of the UTC Portfolio in exchange for gross proceeds receivable of $10 million. This receipt, collected in the first quarter of 2016, triggered a 9%, or $0.9 million, payment to UTC in the first quarter of 2016. On the closing of the sale of a copy of the know-how, Ballard retained full ownership of the UTC know-how including the right to sell additional copies of the know-how to third parties as well as retaining the right to use the know-how in all our applications. On the closing of the sale of a copy of the automotive-related know-how in the fourth quarter of 2015, we recognized an additional gain on sale of intellectual property of $5.4 million on net proceeds of $9.1 million.

On March 6, 2013, we entered into a technology development and engineering services agreement with Volkswagen to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The initial contract term was 4-years commencing in March 2013, with an option by Volkswagen for a 2-year extension. On the 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 has an estimated value of Canadian $100-140 million and is focused on 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 further extend this program by 2-years to February 2021. Amounts earned from this and related agreements ($4.0 million in the fourth quarter of 2016; $13.9 million in fiscal 2016; $3.6 million in the fourth quarter of 2015; $14.5 million in fiscal 2015) are recorded as Technology Solutions revenues.

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 PEM fuel cell products for our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions, including engineering services, technology transfer and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

As a result of the sale of certain of our methanol Backup Power assets to CHEM in the second quarter of 2016, we have renamed the former Telecom Backup Power market as the Backup Power market. The Backup Power market includes revenues associated with our direct hydrogen fuel cell backup power systems, methanol fuel cell backup power systems prior to the CHEM transaction, and fuel cell stacks sold for all backup power applications including those sold to CHEM.

SELECTED ANNUAL FINANCIAL INFORMATION

Results of Operations	Year ended,		
	2016	2015	2014
(Expressed in thousands of U.S. dollars, except per share amounts and gross margin %)			
From continuing operations			
Revenues	$ 85,270	$ 56,463	$ 68,721
Gross margin	$ 24,184	$ 9,974	$ 10,246
Gross margin %	28%	18%	15%
Total Operating Expenses	$ 42,253	$ 34,858	$ 38,300
Cash Operating Costs [1]	$ 34,338	$ 29,050	$ 26,367
Adjusted EBITDA [1]	$ (9,883)	$ (15,259)	$ (18,635)
Net loss from continuing operations attributable to Ballard	$ (21,112)	$ (5,815)	$ (28,188)
Net loss per share attributable to Ballard, basic and diluted	$ (0.13)	$ (0.04)	$ (0.22)
Adjusted Net Loss [1]	$ (19,349)	$ (24,791)	$ (21,833)
Adjusted Net Loss per share [1]	$ (0.12)	$ (0.18)	$ (0.17)
From discontinued operations			
Net earnings (loss) from discontinued operations	$ -	$ -	$ 320
Net earnings (loss) per share from discontinued operations	$ -	$ -	$ -

Financial Position	At December 31,		
(expressed in thousands of U.S. dollars)	2016	2015	2014
Total assets	$ 183,446	$ 161,331	$ 127,949
Cash, cash equivalents and short-term investments	$ 72,628	$ 40,049	$ 23,671

[1] Cash Operating Costs, Adjusted EBITDA, Adjusted Net Loss and Adjusted 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.

2016 Performance compared to 2016 Business Outlook

Although we did not provide specific financial performance guidance for 2016, we did indicate that we expected to end 2016 with year-over-year revenue growth and a strengthened balance sheet. On a year-to-year basis, we also indicated that we expected to improve gross margin and rationalize certain operating costs.

Actual revenues of $85.3 million in 2016 increased 51%, or $28.8 million, compared to 2015. As expected, revenue growth in 2016 was driven by growth in our Heavy-Duty Motive and Technology Solutions markets as well as a full-year contribution from our Portable Power market.

Gross margin as a percentage of revenues in 2016 was 28%, compared to 18% in 2015. As expected, the gross margin improvement in 2016 was driven primarily by the increase in volumes and improved product mix, including important contributions from our Heavy-Duty Motive, Portable Power and Technology Solutions markets. This increase was also supported by product cost reductions and improved operating efficiencies as we realized the benefits from the expected increase in volumes.

On operating costs, as expected we completed the review of strategic alternatives for our methanol Telecom Backup Power business in 2016 culminating with the CHEM Transaction in the second quarter of 2016. We also completed the corresponding rationalization of our methanol Telecom Backup Power engineering, sales and executive team cost structures that commenced in late 2015. The rationalization initiatives are expected to yield annualized operating expense savings in excess of $6 million.

Finally, we ended fiscal 2016 with cash and cash equivalents of $72.6 million, compared to $40.0 million at the end of fiscal 2015. As expected, the strengthened balance sheet was supported by the improved financial performance in 2016 as compared to 2015, combined with the closing of a $28.3 million strategic equity investment made by Broad-Ocean in Ballard on August 18, 2016.

RESULTS OF OPERATIONS – Fourth Quarter of 2016

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Fuel Cell Products and Services	**2016**	**2015**	$ Change	% Change
Heavy-Duty Motive	**$ 10,994**	$ 4,068	$ 6,926	170%
Portable Power	**2,905**	3,398	(493)	(15%)
Material Handling	**2,985**	4,054	(1,069)	(26%)
Backup Power	**2,118**	1,622	496	31%
Technology Solutions	**11,682**	6,844	4,838	71%
Revenues	**30,684**	19,986	10,698	54%
Cost of goods sold	**21,338**	16,168	5,170	32%
Gross Margin	**$ 9,346**	$ 3,818	$ 5,528	145%
Gross Margin %	**30%**	19%	n/a	11 pts

Fuel Cell Products and Services Revenues of $30.7 million for the fourth quarter of 2016 increased 54%, or $10.7 million, compared to the fourth quarter of 2015. The 54% increase was driven by higher Heavy-Duty Motive, Technology Solutions and Backup Power revenues, which more than offset a decline in Material Handling and Portable Power revenues.

Technology Solutions revenues of $11.7 million increased $4.8 million, or 71%, due primarily to initial amounts earned in the fourth quarter of 2016 related to the establishment by Synergy JVCo of a production line in Yunfu, China for the manufacture and assembly of FCvelocity®-9SSL fuel cell stacks, by amounts earned in 2016 to enable Synergy Group to exclusively manufacture and sell Ballard's direct hydrogen FCgen®-H2PM fuel cell backup power systems in China, combined with a minor increase in Volkswagen service revenues primarily as a result of program scope and timing requirements. Engineering services and licensing work performed in the fourth quarter of 2016 on the TRC and CRRC Sifang tram projects, the HDF distributed generation project, and other programs were relatively consistent with amounts earned in the fourth quarter of 2015 on the Nantong Zehe and other programs.

Heavy-Duty Motive revenues of $11.0 million increased $6.9 million, or 170%, due primarily to significantly higher shipments in the fourth quarter of 2016 of FCvelocityTM-9SSL fuel cell stacks, FCveloCity®-MD 30-kilowatt fuel cell modules and FCveloCity®-HD7 85-kilowatt fuel cell modules primarily to the Synergy Group in China.

Material Handling revenues of $3.0 million decreased ($1.1) million, or (26%), primarily as a result of lower stack shipments to Plug Power combined with a lower average selling price due to product mix.

Portable Power revenues of $2.9 million decreased ($0.5) million, or (15%), due to lower revenues generated by Protonex as a result of lower service revenues as product shipments were relatively flat. Revenues in each of the quarters were primarily driven by product shipments of Squad Power Manager (SPM-622) Special Operations Kits for end customer U.S. Special Operations Command under the Nett Warrior program.

Backup Power revenues of $2.1 million increased $0.5 million, or 31%, due primarily to an increase in shipments of hydrogen-based backup power stacks to CHEM, combined with the completion in the fourth quarter of 2016 of a final sale of methanol-based backup power systems initiated prior to the CHEM Transaction. During the second quarter of 2016, we sold certain of our methanol Telecom Backup Power assets to CHEM in the CHEM Transaction.

Fuel Cell Products and Services gross margins improved to $9.3 million, or 30% of revenues, for the fourth quarter of 2016, compared to $3.8 million, or 19% of revenues, for the fourth quarter of 2015. The improvement in gross margin of $5.5 million, or 145%, was driven by the 54% increase in total revenues combined with a shift to higher margin product and service revenue resulting in an 11 point improvement in gross margin as a percent of revenues. Gross margin in the fourth quarter of 2016 particularly benefited from the increase in higher margin Technology Solutions and Heavy-Duty Motive revenues, combined with improved manufacturing overhead and related cost absorption as a result of improved scale and efficiency driven by the 54% increase in total revenues.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2016	2015	$ Change	% Change
Research and Product Development (cash operating cost)	**$ 3,544**	$ 3,065	$ 479	16%
General and Administrative (cash operating cost)	**2,929**	2,806	123	4%
Sales and Marketing (cash operating cost)	**1,667**	1,858	(191)	(10%)
Cash Operating Costs	**$ 8,140**	$ 7,729	$ 411	5%

Cash Operating Costs and its components of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) 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 the reconciliation of Cash Operating Costs to GAAP in the Supplemental Non-GAAP Measures section and the reconciliation of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) to GAAP in the Operating Expense 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 2016 were $8.1 million, an increase of $0.4 million, or 5%, compared to the fourth quarter of 2015. The $0.4 million, or 5%, increase was driven by the increase in cash research and product development operating costs of $0.5 million as slightly higher cash general and administrative operating costs were more than offset by lower cash sales and marketing operating costs.

The overall increase in cash operating costs in the fourth quarter of 2016 was driven by higher engineering and prototyping expenses related to product development and the ongoing improvement of all of our fuel cell products, an increase in Protonex' research and product development efforts, and by higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015. These cost increases were partially offset by the benefit of cost reductions as a result of the Company's rationalization initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in engineering, sales and marketing efforts associated with this market.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2016	2015	$ Change	% Change
Adjusted EBITDA	**$ 1,763**	$ (2,936)	$ 4,699	160%

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 2016 was $1.8 million, compared to ($2.9) million for the fourth quarter of 2015. The $4.7 million increase in Adjusted EBITDA in the fourth quarter of 2016 was driven by the $5.5 million increase in gross margin as a result of the 54% increase in overall revenues combined with the 11 point improvement in gross margin as a percent of revenues. This improvement was partially offset by the increase in Cash Operating Costs of ($0.4) million primarily as a result of higher research and product development expense and by lower restructuring expenses of ($0.2) million.

Net income (loss) attributable to Ballard

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2016	2015	$ Change	% Change
Net income (loss) attributable to Ballard from continuing operations	**$ (1,121)**	$ (1,355)	$ 234	17%

Net loss attributable to Ballard from continuing operations for the fourth quarter of 2016 was ($1.1) million, or ($0.01) per share, compared to a net loss of ($1.4) million, or ($0.01) per share, in the fourth quarter of 2015. The $0.2 million decrease in net loss in the fourth quarter of 2016 was driven by the improvement in Adjusted EBITDA loss of $4.7 million, and by lower acquisition costs of $0.9 million which were incurred for the Protonex acquisition in the fourth quarter of 2015. These fourth quarter of 2016 positive impacts were partially offset by a reduction in gain on sale of intellectual property of ($5.4) million as we recognized a significant gain of $5.4 million in the fourth quarter of 2015 on the closing of the second and final tranche of the Volkswagen IP Agreement.

As noted above, net loss attributable to Ballard in the fourth quarter of 2015 was positively impacted by the gain on sale of intellectual property of $5.4 million, and negatively impacted by acquisition costs of ($0.9) million. Excluding the impact of the gain on sale of intellectual property and the impact from acquisition costs, Adjusted Net Loss (see Supplemental Non-GAAP Measures) in the fourth quarter of 2015 was ($5.9) million, or ($0.04) per share.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the interests of the non-controlling shareholder in the losses of Ballard Power Systems Europe A/S (formerly named Dantherm Power A/S) related to its 43% equity interest in Ballard Power Systems Europe A/S. Net income attributed to non-controlling interests for the fourth quarter of 2016 was $0.2 million, compared to $0.1 million for the fourth quarter of 2015.

Cash provided by (used in) operating activities

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2016	2015	$ Change	% Change
Cash provided by (used in) operating activities	**$ 7,983**	$ (10,566)	$ 18,549	176%

Cash provided by (used in) operating activities in the fourth quarter of 2016 was $8.0 million, consisting of cash operating income of $1.1 million, combined with net working capital inflows of $6.9 million. Cash used by operating activities in the fourth quarter of 2015 was ($10.6) million, consisting of cash operating losses of ($4.7) million and net working capital outflows of ($5.9) million. The $18.5 million reduction in cash used by operating activities in the fourth quarter of 2016, as compared to the fourth quarter of 2015, was driven by the relative improvement in cash operating losses of $5.8 million, combined with the relative reduction in working capital requirements of $12.8 million. The $5.8 million decline in cash operating losses in the fourth quarter of 2016 was due primarily to the $4.7 million reduction in Adjusted EBITDA loss, combined with lower acquisition costs of $0.9 million which were incurred for the Protonex acquisition in the fourth quarter of 2015.

The total change in working capital of $6.9 million in the fourth quarter of 2016 was driven by lower inventory of $6.5 million as we delivered expected Heavy-Duty Motive shipments to customers in the last quarter of 2016, and by higher deferred revenue of $3.9 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed. These fourth quarter of 2016 working capital inflows were partially offset by lower accounts payable and accrued liabilities of ($1.7) million due primarily to the timing of purchases and supplier payments, and by lower accrued warranty obligations of ($1.5) million due primarily to customer service related expenses incurred in our Material Handling market and by Backup Power warranty contract expirations.

This compares to a total change in working capital of ($5.9) million in the fourth quarter of 2015 which was driven by higher accounts receivable of ($2.2) million primarily as a result of the timing of Portable Power and Heavy-Duty Motive revenues and the related customer collections, by lower accounts payable and accrued liabilities of ($1.8) million due primarily to the timing of purchases and supplier payments including the payment of acquisition and transaction related costs incurred on the Protonex acquisition, and by lower deferred revenue of ($1.5) million as we completed the contract work on certain Technology Solutions, Heavy-Duty Motive and government grant contracts for which we received prepayments in an earlier period.

RESULTS OF OPERATIONS – Year ended December 31, 2016

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Fuel Cell Products and Services	**2016**	**2015**	$ Change	% Change
Heavy-Duty Motive	**$ 26,480**	$ 11,953	$ 14,527	122%
Portable Power	**11,420**	3,398	8,022	236%
Material Handling	**12,911**	12,710	201	2%
Backup Power	**4,821**	5,737	(916)	(16%)
Technology Solutions	**29,638**	22,665	6,973	31%
Revenues	**85,270**	56,463	28,807	51%
Cost of goods sold	**61,086**	46,489	14,597	31%
Gross Margin	**$ 24,184**	$ 9,974	$ 14,210	142%
Gross Margin %	**28%**	18%	n/a	10 pts

Fuel Cell Products and Services Revenues of $85.3 million in 2016 increased 51%, or $28.8 million, compared to 2015. The 51% increase was driven by higher Heavy-Duty Motive, Technology Solutions and Material Handling revenues combined with the addition of Portable Power revenues, which more than offset a decline in Backup Power revenues.

Technology Solutions revenues of $29.6 million increased $7.0 million, or 31%, due primarily to initial amounts earned starting in the fourth quarter of 2016 related to the establishment by Synergy JVCo of a production line in Yunfu, China for the manufacture and assembly of FCvelocity®-9SSL fuel cell stacks, by amounts earned in 2016 to enable Synergy Group to exclusively manufacture and sell Ballard's direct hydrogen FCgen®-H2PM fuel cell backup power systems in China, and by amounts earned on the TRC and CRRC Sifang tram projects and the HDF distributed generation project, which exceeded amounts earned in 2015 on the Nantong Zehe and other programs. These increases more than offset a minor decline in Volkswagen service revenues which were negatively impacted by approximately ($0.5) million in 2016, as compared to 2015, as a result of an approximate (4%) lower Canadian dollar, relative to the U.S. dollar, as the Volkswagen Agreement is priced in Canadian dollars. The underlying costs to satisfy the Volkswagen Agreement are primarily denominated in Canadian dollars.

Heavy-Duty Motive revenues of $26.5 million increased $14.5 million, or 122%, due primarily to significantly higher shipments in 2016 of FCvelocityTM-9SSL fuel cell stacks, FCveloCity®-MD 30-kilowatt fuel cell modules and FCveloCity®-HD7 85-kilowatt fuel cell modules and ready-to-assemble module kits primarily to the Synergy Group in China, combined with an increase in shipments of FCvelocity®-HD6 bus power modules to customers primarily in North America.

Material Handling revenues of $12.9 million increased $0.2 million, or 2%, primarily as a result of higher stack shipments to Plug Power, partially offset by a lower average selling price due to product mix.

Portable Power revenues of $11.4 million increased $8.0 million, or 236%, due to a full year of revenues generated by Protonex, a company we acquired on October 1, 2015. Revenues from Protonex were primarily driven by product shipments of Squad Power Manager (SPM-622) Special Operations Kits for end customer U.S. Special Operations Command under the Nett Warrior program, and by service revenues earned on a variety of contracts.

Backup Power revenues of $4.8 million decreased ($0.9) million, or (16%), due primarily to a decline in shipments of methanol-based backup power systems as we continued to review strategic alternatives for our methanol Telecom Backup Power business during 2016, ultimately resulting in the CHEM Transaction which closed in the second quarter of 2016. This decrease more than offset revenue increases as a result of slightly higher shipments of hydrogen-based backup power systems and stacks for backup power applications.

Fuel Cell Products and Services gross margins improved to $24.2 million, or 28% of revenues, for 2016, compared to $10.0 million, or 18% of revenues, for 2015. The improvement in gross margin of $14.2 million, or 142%, was driven by the 51% increase in overall revenues combined with a shift to higher margin product and services revenue resulting in a 10 point improvement in gross margin as a percent of revenues. Gross margin in 2016 benefited from the addition of higher margin Portable Power shipments and services as a result of the acquisition of Protonex on October 1, 2015, by the increase in higher margin Heavy-Duty Motive and Technology Solutions revenues, and by improved manufacturing overhead and related cost absorption as a result of improved scale and efficiency driven by the 51% increase in total revenues.

Gross margin in 2016 was also negatively impacted by inventory impairments of ($0.9) million related primarily to excess and obsolete inventory, and benefited from positive net warranty adjustments of $0.5 million related primarily to backup power and fuel cell bus contractual warranty expirations. Gross margin in 2015 was negatively impacted by inventory impairments of ($1.1) million related primarily to excess bus inventory as we transitioned from FCvelocity®-HD6 bus products to FCvelocity®-HD7 bus products, and benefited from positive net warranty adjustments of $1.3 million related primarily to fuel cell bus contractual warranty expirations and reduced product costs.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2016	2015	$ Change	% Change
Research and Product Development (cash operating cost)	**$ 16,546**	$ 13,301	$ 3,245	24%
General and Administrative (cash operating cost)	**10,897**	9,022	1,875	21%
Sales and Marketing (cash operating cost)	**6,895**	6,727	168	2%
Cash Operating Costs	**$ 34,338**	$ 29,050	$ 5,286	18%

Cash Operating Costs and its components of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) 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 the reconciliation of Cash Operating Costs to GAAP in the Supplemental Non-GAAP Measures section and the reconciliation of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) to GAAP in the Operating Expense 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) in 2016 were $34.3 million, an increase of $5.3 million, or 18%, compared to 2015. The $5.3 million, or 18%, increase was driven by higher cash research and product development operating costs of $3.2 million, higher cash general and administrative operating costs of $1.9 million, and higher cash sales and marketing operating costs of $0.2 million.

The overall increase in cash operating costs in 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $7.6 million of Cash Operating Costs in 2016 as compared to $1.5 in the fourth quarter of 2015. In addition, we incurred higher engineering and prototyping expenses related to product development and the ongoing improvement of all of our fuel cell products, and higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015. These cost increases were offset by the benefit of cost reductions as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in engineering, sales and marketing efforts associated with this market. In addition, operating expenses benefited from lower labour costs in Canada as a result of an approximate (4%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

As noted above, operating costs in 2016 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 (4%), or (5) basis points, lower in 2016 as compared to 2015, 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 $0.3 million to $0.4 million.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2016	2015	$ Change	% Change
Adjusted EBITDA	**$ (9,883)**	$ (15,259)	$ 5,376	35%

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 2016 was ($9.9) million, compared to ($15.3) million for 2015. The $5.4 million reduction in Adjusted EBITDA loss in 2016 was driven by the $14.2 million increase in gross margin as a result of the 51% increase in overall revenues combined with the 10 point improvement in gross margin as a percent of revenues. This improvement was partially offset by the increase in Cash Operating Costs of ($5.3) million primarily as a result of the acquisition of Protonex and the assumption of a full year of operating costs in 2016 as compared to three months in 2015, by higher restructuring expenses of ($2.3) million incurred as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities, and by lower recoveries on impairment losses on trade receivables of ($1.0) million.

Net income (loss) attributable to Ballard

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2016	2015	$ Change	% Change
Net income (loss) attributable to Ballard from continuing operations	$ **(21,112)**	$ (5,815)	$ (15,297)	(263%)

Net loss attributable to Ballard from continuing operations for 2016 was ($21.1) million, or ($0.13) per share, compared to a net loss of ($5.8) million, or ($0.04) per share, in 2015. The ($15.3) million increase in net loss in 2016 was driven by the reduction in gain on sale of intellectual property of ($19.6) million as we recognized a significant gain of $14.2 million in the first quarter of 2015 on the closing of the initial tranche of the Volkswagen IP Agreement and an additional gain of $5.4 million in the fourth quarter of 2015 on the closing of the second and final tranche of the Volkswagen IP Agreement. Net loss in 2016 was also negatively impacted by an increase in impairment losses of ($1.2) million as we wrote-down certain methanol Telecom Backup Power assets in the first quarter of 2016 while we continued to review strategic alternatives for our methanol Telecom Backup Power assets prior to concluding the transaction with CHEM in the second quarter of 2016, and by an additional loss on sale of assets of ($0.6) million recognized in relation to the CHEM transaction. These 2016 net loss negative impacts were partially offset by the improvement in Adjusted EBITDA loss of $5.4 million and by lower acquisition costs of $1.5 million which were incurred for the Protonex acquisition in 2015.

As noted above, net loss attributable to Ballard in 2016 was negatively impacted by the above noted impairment loss of ($1.2) million related to a write-down of methanol Telecom Backup Power intangible assets and property, plant and equipment, negatively impacted by a loss on sale of assets of ($0.6) million recognized on the CHEM transaction. Net income attributable to Ballard in 2015 was positively impacted by the above noted gains on sale of intellectual property under the Volkswagen IP Agreement of $19.6 million, positively impacted by net impairment recoveries on trade receivables of $0.9 million, and negatively impacted by acquisition costs related to the Protonex acquisition of ($1.5) million. Excluding the impact of the gain on sale of intellectual property and the impact from acquisition costs, impairment recoveries on trade receivables, asset impairment charges, and transactional gains and losses on intangible assets and property, plant and equipment, Adjusted Net Loss (see Supplemental Non-GAAP Measures) in 2016 was ($19.3) million, or ($0.12) per share, compared to ($24.8) million, or ($0.18) per share, for 2015.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the interests of the non-controlling shareholder in the losses of Ballard Power Systems Europe A/S (formerly named Dantherm Power A/S) related to its 43% equity interest in Ballard Power Systems Europe A/S. Net loss attributed to non-controlling interests for 2016 was ($0.6) million, compared to ($0.8) million for 2015.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2016	2015	$ Change	% Change
Cash (used in) provided by operating activities	**$ (3,904)**	$ (25,364)	$ 21,460	85%

Cash used in operating activities in 2016 was ($3.9) million, consisting of cash operating losses of ($12.4) million, partially offset by net working capital inflows of $8.5 million. Cash used in operating activities in 2015 was ($25.4) million, consisting of cash operating losses of ($19.3) million and net working capital outflows of ($6.0) million. The $21.5 million reduction in cash used by operating activities in 2016, as compared to 2015, was driven by the relative improvement in cash operating losses of $6.9 million, combined with the relative reduction in working capital changes of $14.6 million. The $6.9 million decline in cash operating losses in 2016 was due primarily to the $5.4 million reduction in Adjusted EBITDA loss, combined with lower acquisition costs of $1.5 million which were incurred for the Protonex acquisition in 2015.

The total change in working capital of $8.5 million in 2016 was driven by higher deferred revenue of $14.5 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by higher accounts payable and accrued liabilities of $1.0 million due primarily to restructuring and wage accrual expenses which will be paid into 2017. These 2016 working capital inflows were partially offset by higher inventory of ($2.3) million primarily to support expected Heavy-Duty Motive shipments to customers in the first quarter of 2017, by lower accrued warranty obligations of ($2.6) million due primarily to customer service related expenses incurred in our Material Handling market and by Backup Power warranty contract expirations, by higher prepaid expenses of ($1.3) million primarily related to withholding taxes incurred on certain Chinese transactions, and by higher accounts receivable of ($0.8) million primarily as a result of the timing of Material Handling, Technology Solutions and Portable Power revenues and the related customer collections.

This compares to a total change in working capital of ($6.0) million in 2015 which was driven by higher inventory of ($5.6) million primarily to support expected Heavy-Duty Motive and Portable Power product shipments in the first quarter of 2016, by lower accrued warranty obligations of ($3.6) million due primarily to customer service related expenses incurred in our Backup Power market in Asia and by Heavy-Duty Motive warranty contract expirations, and by lower accounts payable and accrued liabilities of ($1.3) million due primarily to the timing of purchases and supplier payments. These 2015 working capital outflows were partially offset by higher deferred revenue of $4.0 million as we collected prepayments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed.

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	**2016**	2015	$ Change	% Change
Research and product development expense	**$ 4,316**	**$ 3,461**	$ 855	25%
Less: Depreciation and amortization expense	**$ (512)**	**$ (321)**	$ (191)	60%
Less: Stock-based compensation expense	**$ (260)**	**$ (74)**	$ (186)	251%
Research and Product Development (cash operating cost)	**$ 3,544**	**$ 3,066**	$ 478	16%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Research and product development	**2016**	2015	$ Change	% Change
Research and product development expense	**$ 19,827**	**$ 16,206**	$ 3,621	22%
Less: Depreciation and amortization expense	**$ (2,214)**	**$ (1,947)**	$ (267)	14%
Less: Stock-based compensation expense	**$ (1,067)**	**$ (957)**	$ (110)	11%
Research and Product Development (cash operating cost)	**$ 16,546**	**$ 13,302**	$ 3,244	24%

Research and Product Development (operating cost) 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. Research and Product Development (operating cost) adjusts Research and product development expense for depreciation and amortization expense and stock-based compensation expense. See the reconciliation of the adjustments to Research and product development expense in the Non-GAAP Measures section.

Research and product development expenses for the three months ended December 31, 2016 were $4.3 million, an increase of $0.9 million, or 25%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($0.5) million and ($0.3) million, respectively, and excluding stock-based compensation expense of ($0.3) million and ($0.1) million, respectively, in each of the periods, cash research and product development operating costs (see Supplemental Non-GAAP Measures) were $3.5 million in the fourth quarter of 2016, an increase of $0.5 million, or 16%, compared to the fourth quarter of 2015.

The $0.5 million, or 16%, increase in cash research and development operating costs (see Supplemental Non-GAAP Measures) in the fourth quarter of 2016 was driven primarily by higher engineering and prototyping expenses related to product development and the ongoing improvement of all of our fuel cell products, an increase in Protonex' research and product development efforts, and by higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015. These cost increases were partially offset by lower methanol Telecom Backup Power engineering expenses due to cost reduction initiatives undertaken in the first quarter of 2016 and culminating with the CHEM Transaction.

Research and product development expenses for the year ended December 31, 2016 were $19.8 million, an increase of $3.6 million, or 22%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($2.2) million and ($1.9) million, respectively, in each of the periods, and excluding stock-based compensation expense of ($1.1) million in each of the periods, cash research and product development operating costs (see Supplemental Non-GAAP Measures) were $16.5 million in 2016, an increase of $3.2 million, or 24%, compared to 2015.

The $3.2 million, or 24%, increase in cash research and development operating costs (see Supplemental Non-GAAP Measures) in 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $4.7 million of research and product development operating expense in 2016 as compared to $0.7 million in 2015. In addition, we incurred higher engineering and prototyping expenses in 2016 related to product development and the ongoing improvement of all of our fuel cell products, and higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015. These cost pressures in 2016 were offset by lower methanol Telecom Backup Power engineering expenses due to cost reduction initiatives undertaken in the first quarter of 2016 culminating with the CHEM Transaction, and by lower labour costs in Canada as a result of an approximate (4%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. In addition, FCvelocity®-HD7 development costs of $1.1 million and $1.4 million, respectively, were capitalized during 2016 and 2015 as fuel cell technology intangible assets for the now completed FCvelocity®-HD7 development program.

Government funding recoveries were relatively consistent in 2016 as compared to 2015 as slightly lower government funding recoveries in Denmark by Ballard Power Systems Europe A/S (formerly Dantherm Power A/S), were offset by slightly higher government funding recoveries in Canada. During 2016, we successfully completed the 5-year, $7.2 million Canadian, award agreement from Sustainable Development Technology Canada (“SDTC”) to assist us with extending the operating life and lowering the product cost of FCgen™-1300 fuel cell stack and demonstrating the technology in the Ballard’s CLEARgen™ distributed generation system at the Toyota Motor Sales U.S.A., Inc. sales and marketing headquarters campus in Torrance, California.

Government research funding and development costs capitalized as fuel cell technology intangible assets are reflected as cost offsets 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 for the three months and year ended December 31, 2016 was $0.5 million and $2.2 million, as compared to $0.3 million and $1.9 million, respectively, for the corresponding periods of 2015. Depreciation and amortization expense relates primarily to amortization expense on our intangible assets and depreciation expense on our research and product development equipment. Increases in depreciation and amortization expense in 2016 primarily as a result of the acquisition of Protonex on October 1, 2015 and the resulting amortization of acquired intangible assets over their estimated useful lives of 15 to 20 years, were partially offset by declines in amortization expense in 2016 as a result of the write-down of our remaining methanol Telecom Backup Power intangible assets and property, plant and equipment in the first quarter of 2016.

Stock-based compensation expense included in research and product development expense for the three months and year ended December 31, 2016 was $0.3 million and $1.1 million, respectively, compared to $0.1 million and $1.0 million the corresponding periods of 2015.

General and administrative expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
General and administrative	**2016**	**2015**	$ Change	% Change
General and administrative expense	**$ 3,514**	**$ 3,028**	$ 486	16%
Less: Depreciation and amortization expense	**$ (92)**	**$ (140)**	$ 48	(34%)
Less: Stock-based compensation expense	**$ (493)**	**$ (82)**	$ (411)	501%
General and Administrative (cash operating cost)	**$ 2,929**	**$ 2,806**	$ 123	4%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
General and administrative	**2016**	**2015**	$ Change	% Change
General and administrative expense	**$ 12,938**	**$ 10,594**	$ 2,344	22%
Less: Depreciation and amortization expense	**$ (375)**	**$ (280)**	$ (95)	34%
Less: Stock-based compensation expense	**$ (1,666)**	**$ (1,292)**	$ (374)	29%
General and Administrative (cash operating cost)	**$ 10,897**	**$ 9,022**	$ 1,875	21%

General and Administrative (operating cost) 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. General and Administrative (operating cost) adjusts General and administrative expense for depreciation and amortization expense and stock-based compensation expense. See the reconciliation of the adjustments to General and administrative expense in the Non-GAAP Measures section.

General and administrative expenses for the three months ended December 31, 2016 were $3.5 million, an increase of $0.5 million, or 16%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($0.1) million in each of the periods, and excluding stock-based compensation expense of ($0.5) million and ($0.1) million, respectively, in each of the periods, cash general and administrative operating costs (see Supplemental Non-GAAP Measures) were $2.9 million in the fourth quarter of 2016, an increase of $0.1 million, or 4%, compared to the fourth quarter of 2015.

The $0.1 million, or 4%, increase in cash general and administrative operating costs (see Supplemental Non-GAAP Measures) in the fourth quarter of 2016 was driven primarily by higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015, partially offset by lower legal and advisory costs due to the timing of transactional contracting.

General and administrative expenses for the year ended December 31, 2016 were $12.9 million, an increase of $2.3 million, or 22%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($0.4) million and ($0.3) million, respectively, and excluding stock-based compensation expense of ($1.7) million and ($1.3) million, respectively, in each of the periods, cash general and administrative operating costs (see Supplemental Non-GAAP Measures) were $10.9 million in 2016, an increase of $1.9 million, or 21%, compared to 2015.

The $1.9 million, or 21%, increase in cash general and administrative operating costs (see Supplemental Non-GAAP Measures) in 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $1.6 million of general and administrative operating expense in 2016 as compared to $0.6 million in 2015, combined with higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015. These cost increases in 2016 were partially offset by lower labour costs in Canada as a result of an approximate (4%) 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 for the *three months and year ended December 31, 2016* was $0.1 million and $0.4 million, respectively, compared to $0.1 million and $0.3 million, respectively, for the corresponding periods of 2015, and relates primarily to depreciation expense on our office and information technology equipment.

Stock-based compensation expense included in general and administrative expense for the three months and year ended December 31, 2016 was $0.5 million and $1.7 million, respectively, compared to $0.1 million and $1.3 million, respectively, for the corresponding periods of 2015. The increase in 2016 is primarily as a result of a downward adjustment to accrued stock-based compensation expense made in the fourth quarter of 2015 as certain outstanding restricted share units failed to meet the vesting criteria.

Sales and marketing expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Sales and marketing	**2016**	**2015**	$ Change	% Change
Sales and marketing expense	**$ 1,495**	**$ 1,951**	$ (456)	(23%)
Less: Depreciation and amortization expense	**$ -**	**$ (2)**	$ 2	(100%)
Less: Stock-based compensation (expense) recovery	**$ 172**	**$ (91)**	$ 263	(289%)
Sales and Marketing (cash operating cost)	**$ 1,667**	**$ 1,858**	$ (191)	(10%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Sales and marketing	**2016**	**2015**	$ Change	% Change
Sales and marketing expense	**$ 7,190**	**$ 7,428**	$ (238)	(3%)
Less: Depreciation and amortization expense	**$ (4)**	**$ (2)**	$ (2)	(100%)
Less: Stock-based compensation expense	**$ (291)**	**$ (699)**	$ 408	58%
Sales and Marketing (cash operating cost)	**$ 6,895**	**$ 6,727**	$ 168	2%

Sales and Marketing (operating cost) 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. Sales and Marketing (operating cost) adjusts Sales and marketing expense for depreciation and amortization expense and stock-based compensation expense. See the reconciliation of the adjustments to Sales and marketing expense in the Non-GAAP Measures section.

Sales and marketing expenses for the three months ended December 31, 2016 were $1.5 million, a decrease of ($0.5) million, or (23%), compared to the corresponding period of 2015. Excluding stock-based compensation (expense) recovery of $0.2 million and ($0.1) million, respectively, in each of the periods, cash sales and marketing operating costs (see Supplemental Non-GAAP Measures) were $1.7 million in the fourth quarter of 2016, a decrease of ($0.2) million, or (10%) compared to the third fourth of 2015.

The ($0.2) million, or (10%), decrease in cash sales and marketing operating costs (see Supplemental Non-GAAP Measures) in the fourth quarter of 2016 was driven primarily by cost reductions as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in our sales and marketing efforts associated with this market. These cost savings were partially offset by higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015.

Sales and marketing expenses for the year ended December 31, 2016 were $7.2 million, a decrease of ($0.2) million, or (3%), compared to the corresponding period of 2015. Excluding stock-based compensation expense of ($0.3) million and ($0.7) million, respectively, in each of the periods, cash sales and marketing operating costs (see Supplemental Non-GAAP Measures) were $6.9 million in 2016, an increase of $0.2 million, or 2% compared to 2015.

The $0.2 million, or 2% increase in cash sales and marketing operating costs (see Supplemental Non-GAAP Measures) in 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $1.6 million of sales and marketing operating expense in 2016 as compared to $0.3 million in 2015, combined with higher labour costs as a result of increased bonus accrual expenses in 2016 as compared to 2015. These cost pressures in 2016 was partially offset by cost reductions as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in our sales and marketing efforts associated with this market. In addition, sales and marketing expense in 2016 were positively impacted by lower labour costs in Canada as a result of an approximate (4%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

Stock-based compensation expense included in sales and marketing expense (recovery) for the three months and year ended December 31, 2016 was ($0.2) million and $0.3 million, respectively, compared to $0.1 million and $0.7 million, respectively, for the corresponding periods of 2015. The overall reduction in 2016 was due primarily to the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016, partially offset by a downward adjustment to accrued stock-based compensation expense made in the fourth quarter of 2015 as certain outstanding restricted share units failed to meet the vesting criteria.

Other expense (recovery) for the three months and year ended December 31, 2016 was ($0.2) million and $2.5 million, respectively, compared to $0.9 million and $0.6 million, respectively for the corresponding periods of 2015. The following tables provide a breakdown of other expense (recovery) for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2016	2015	$ Change	% Change
Impairment loss (recovery) on trade receivables	**$ (132)**	**$ (39)**	$ 93	238%
Restructuring expense (recovery)	**(217)**	**-**	217	100%
Acquisition charges	**-**	**902**	902	100%
Other expenses (recovery)	**$ (349)**	**$ 863**	$ 1,212	140%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2016	2015	$ Change	% Change
Impairment loss (recovery) on trade receivables	**$ (63)**	**$ (899)**	$ (836)	(93%)
Restructuring expense	**2,318**	**(13)**	(2,331)	(17,931%)
Acquisition charges	**43**	**1,542**	1,499	97%
Other expenses (recovery)	**$ 2,298**	**$ 630**	$ (1,668)	(265%)

Net impairment loss (recovery) on trade receivables of for the three months and year ended December 31, 2016 was ($0.1) million in each of the periods, compared to ($0.9) million for the year ended December 31, 2015. Net Impairment (loss) recovery on trade receivables of ($0.9) million for 2015 consist of a ($1.5) million impairment recovery as we collected on certain accounts in 2015 principally in Asia that were considered impaired and written down in 2014, less impairment charges in 2015 of ($0.6) million related to non-collection of certain other accounts primarily in Asia. In the event that we are able to recover on an impaired trade receivable through legal or other means, the recovered amount is recognized in the period of recovery as a reversal of the impairment loss.

Restructuring expenses of $2.3 million for the year ended December 31, 2016 relate primarily to cost reduction initiatives that included the elimination of approximately 50 positions including the elimination of three executive level positions. These cost reduction initiatives were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities as we reviewed strategic alternatives for these assets prior to the CHEM Transaction.

Acquisition charges for the three months and year ended December 31, 2015 of $0.9 million and $1.5 million, respectively, consist of brokerage, legal and other costs incurred related to the acquisition of Protonex which closed on October 1, 2015. Acquisition costs are expensed as incurred.

Finance income (loss) and other for the three months and year ended December 31, 2016 was ($0.7) million and ($0.8) million, respectively, compared to ($1.0) million and ($0.3) million, respectively, for the corresponding periods of 2015. 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,			
	2016	2015	$ Change	% Change
Employee future benefit plan expense	**$ (48)**	**$ (77)**	$ 29	38%
Pension administration expense	**(1)**	**(27)**	26	96%
Investment and other income (loss)	**60**	**44**	16	36%
Foreign exchange gain (loss)	**(703)**	**(890)**	187	21%
Finance income (loss) and other	**$ (692)**	**$ (950)**	$ 258	27%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2016	2015	$ Change	% Change
Employee future benefit plan expense	**$ (263)**	**$ (292)**	$ 29	10%
Pension administration expense	**(103)**	**(103)**	-	-%
Investment and other income	**164**	**143**	21	15%
Foreign exchange gain (loss)	**(567)**	**(53)**	(514)	(970%)
Finance income (loss) and other	**$ (769)**	**$ (305)**	$ (464)	(152%)

Employee future benefit plan expense for the three months and year ended December 31, 2016 were ($0.1) million and ($0.3) million, respectively, consistent with the corresponding periods of 2015. 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, 2016 and 2015 represent administrative costs incurred in managing the plan.

Foreign exchange gains (losses) for the three months and year ended December 31, 2016 were ($0.7) million and ($0.6) million, respectively, compared to ($0.9) million and ($0.1) million, respectively, for the corresponding periods of 2015. 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 and on any outstanding foreign exchange currency contracts that are marked to market each reporting period if not qualified for hedge accounting treatment. Foreign exchange gains and losses are also impacted by the conversion of Ballard Power Systems Europe A/S' assets and liabilities from the Danish Kroner to the U.S. dollar at exchange rates in effect at each reporting date.

Investment and other income for the three months and years ended December 31, 2016 and 2015 were nominal and were earned primarily on our cash and cash equivalents.

Finance expense for the three months and year ended December 31, 2016 was ($0.2) million and ($0.7) million, respectively, compared to ($0.2) million and ($0.8) million, respectively, for the corresponding periods of 2015. 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.

Gain on sale of Intellectual Property for the three months and year ended December 31, 2015 was $5.4 million and $19.6 million, respectively, and resulted from the transfer of ownership of the UTC Portfolio previously acquired by us from UTC in 2014 to Volkswagen in 2015 through two separate transactions under the Volkswagen IP Agreement for total gross proceeds of $50 million.

On the closing of the sale of the automotive-related patents and patent applications of the UTC Portfolio in the first quarter of 2015, we recognized a gain on sale of intellectual property of $14.2 million on net proceeds received of $29.5 million. On the closing of the initial transaction on February 23, 2015, Ballard transferred ownership of the automotive-related patents and patent applications of the UTC Portfolio in exchange for gross proceeds of $40 million. This receipt triggered a 25%, or $10.0 million, license fee payment to UTC. Although ownership of the patents and patent applications was transferred to Volkswagen, Ballard received a royalty-free back-license to all the transferred patents and patent applications for use in all non-automotive applications, in bus applications and in certain limited pre-commercial automotive applications. The gain on sale of intellectual property of $14.2 million represents gross proceeds received on the sale of the automotive-related patents and patent applications from Volkswagen of $40.0 million, net of the license fee paid to UTC of ($10.0) million, transaction costs of approximately ($0.5) million, and the ascribed cost of the patents and patent applications in the UTC Portfolio of approximately ($15.3) million.

On the closing of the sale of a copy of the automotive-related know-how of the UTC Portfolio in the fourth quarter of 2015, we recognized an additional gain on sale of intellectual property of $5.4 million. On the closing of the second tranche on December 2, 2015, Ballard transferred a copy of the automotive-related know-how of the UTC Portfolio in exchange for gross proceeds receivable of $10 million. This receivable was recorded in trade and other receivables at December 31, 2015 and was subsequently collected in the first quarter of 2016. This receipt triggered a 9%, or $0.9 million, payment to UTC in the first quarter of 2016 which was recorded in accounts payable and accrued liabilities as of December 31, 2015. On the closing of the sale of a copy of the automotive-related know-how of the UTC Portfolio, Ballard retained full ownership of the know-how including the right to sell additional copies of the know-how to third parties as well as retaining the right to use the know-how in all our applications. The gain on sale of intellectual property of $5.4 million represents gross proceeds from Volkswagen of $10.0 million, net of a fee payable to UTC of ($0.9) million, and the ascribed cost of the automotive-related know-how of the UTC Portfolio previously classified as assets held for sale of approximately ($3.8) million.

Impairment (Loss) on Intangible Assets and Property, Plant and Equipment for the year ended December, 2016 of ($1.2) million consists of a ($0.8) million impairment charge on intangible assets and a ($0.4) million impairment charge on property, plant and equipment as we wrote-down certain methanol Telecom Backup Power assets to their estimated net realizable value of $nil. The impairment charges were incurred during the first quarter of 2016 while we continued to review strategic alternatives for our methanol Telecom Backup Power assets prior to concluding the transaction with CHEM in the second quarter of 2016.

Gain (Loss) on sale of assets for the year ended December 31, 2016 of ($0.6) million and was recognized as a result of the closing of the transaction with CHEM. During the second quarter of 2016, we completed the sale of certain of our methanol Telecom Backup Power business assets to CHEM for a purchase price of up to $6.1 million, of which $3 million was paid on closing. The remaining potential purchase price of up to $3.1 million consists of an earn-out arising from sales of methanol Telecom Backup Power systems by CHEM during the 18-month period to November 2017 derived from the sales pipeline transferred to CHEM on closing. The remaining potential purchase price of up to $3.1 million has been recorded as proceeds receivable at its estimated fair value of $1.8 million. The final gain (loss) on sale arising from the CHEM transaction is subject to change depending upon the final earn-out amount actually received by Ballard through November 2017. No developments have occurred to date to cause us to reassess the fair value of the remaining potential proceeds at $1.8 million. On the closing of this transaction, CHEM received certain assets related to the methanol Telecom Backup Power line of our business, including intellectual property rights and physical assets such as inventory and related product brands.

Net income (loss) attributed to non-controlling interests for the three months and year ended December 31, 2016 was $0.2 million and ($0.6) million, respectively, compared to $0.1 million and ($0.8) million, respectively, for the corresponding periods of 2015. Amounts primarily represent the non-controlling interest of Dansk Industri Invest A/S in the losses of Ballard Power Systems Europe A/S (formerly named Dantherm Power A/S) as a result of their 43% total equity interest in Ballard Power Systems Europe A/S and were relatively consistent period over period.

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, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Revenues from continuing operations	$ 30,684	$ 20,635	$ 17,647	$ 16,304
Net income (loss) attributable to Ballard from continuing operations	$ (1,121)	$ (4,187)	$ (5,810)	$ (9,994)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.01)	$ (0.03)	$ (0.04)	$ (0.06)
Weighted average common shares outstanding	174,722	165,193	156,889	156,851

	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Revenues	$ 19,986	$ 16,037	$ 11,177	$ 9,263
Net income (loss) attributable to Ballard	$ (1,355)	$ (4,135)	$ (7,342)	$ 7,017
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.01)	$ (0.03)	$ (0.06)	$ 0.05
Weighted average common shares outstanding	155,188	141,253	132,595	132,276

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 product and service 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 product and service revenues also reflect the timing of work performed and the achievements of milestones under long-term fixed price contracts. Revenues were positively impacted as of the fourth quarter of 2015 by the acquisition of Protonex on October 1, 2015. Revenues were negatively impacted as of the second quarter of 2016 by the CHEM transaction whereby we disposed certain assets related to our methanol Telecom Backup Power line of our business including intellectual property rights and physical assets such as inventory and related product brands.

- **Operating expenditures**: Operating expenses were negatively impacted in the first quarter of 2016 by restructuring expenses of ($2.3) million related to cost reduction initiatives that included the elimination of approximately 50 positions including the elimination of three executive level positions. Operating expenses were negatively impacted as of the fourth quarter of 2015 by the acquisition of Protonex and the assumption of its cost base on October 1, 2015, including the incurrence of acquisition related expenses totaling $1.5 million incurred in the second and third quarters of 2015. Operating expenses were positively impacted in the first quarter of 2015 by net recoveries of previously impaired trade receivables of $1.0 million. Impairment losses on trade receivables are recognized in other income (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.

- **Net income (loss):** Net income for the first quarter of 2016 was negatively impacted by impairment losses on intangible assets and property, plant and equipment totaling ($1.2) million as a result of the write-down of certain Telecom Backup Power assets to their estimated net realizable value of $nil. Net income for the first quarter of 2015 was positively impacted by a gain on sale of intellectual property of $14.2 million resulting from the sale of the automotive-related patents and patent applications of the UTC Portfolio transferred to Volkswagen on the closing of the initial tranche of the Volkswagen IP Agreement. Net income for the fourth quarter of 2015 was positively impacted by a gain on sale of intellectual property of $5.4 million resulting from the sale of a copy of the automotive-related know-how of the UTC Portfolio to Volkswagen on the closing of the second and final tranche of the Volkswagen IP Agreement.

CASH FLOWS

Cash and cash equivalents were $72.6 million at December 31, 2016, compared to $40.0 million at December 31, 2015. The $32.6 million increase in cash and cash equivalents in 2016 was driven by net proceeds received in the third quarter of 2016 from the Broad-Ocean strategic equity investment of $28.2 million, net proceeds of $9.2 million received in the first quarter of 2016 as a result of the fourth quarter of 2015 sale of the automotive-related know-how of the UTC Portfolio to Volkswagen pursuant to the second and final tranche of the Volkswagen IP Agreement, by net proceeds of $3.3 million (Canadian $4.6 million) as we agreed to a settlement agreement with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement, by the initial net proceeds received of $3.0 million related to the CHEM transaction, and by net working capital inflows of $8.5 million. These 2016 inflows were partially offset by a net loss (excluding non-cash items) of ($12.4) million, purchases of property, plant and equipment of ($2.8) million, investments in fuel cell technology intangible assets of ($1.1) million, investments in other intangible assets of ($3.0) million, and by finance lease repayments of ($1.0) million.

For the three months ended December 31, 2016, cash provided by (used in) operating activities was $8.0 million, consisting of cash operating income of $1.1 million, combined with net working capital inflows of $6.9 million. For the three months ended December 31, 2015, cash used by operating activities was ($10.6) million, consisting of cash operating losses of ($4.7) million and net working capital outflows of ($5.9) million. The $18.6 million reduction in cash used by operating activities in the fourth quarter of 2016, as compared to the fourth quarter of 2015, was driven by the relative improvement in cash operating losses of $5.8 million, combined with the relative reduction in working capital requirements of $12.8 million. The $5.8 million decline in cash operating losses in the fourth quarter of 2016 was due primarily to the $4.7 million reduction in Adjusted EBITDA loss, combined with lower acquisition costs of $0.9 million which were incurred for the Protonex acquisition in the fourth quarter of 2015.

In the fourth quarter of 2016, net working capital inflows of $6.9 million was driven by lower inventory of $6.5 million as we delivered the expected Heavy-Duty Motive shipments to customers in the last quarter of 2016, and by higher deferred revenue of $3.9 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed. These fourth quarter of 2016 working capital inflows were partially offset by lower accounts payable and accrued liabilities of ($1.7) million due primarily to the timing of purchases and supplier payments, and by lower accrued warranty obligations of ($1.5) million due primarily to customer service related expenses incurred in our Material Handling market and by Backup Power warranty contract expirations.

In the fourth quarter of 2015, net working capital cash outflows of ($5.9) million were driven by higher accounts receivable of ($2.2) million primarily as a result of the timing of Portable Power and Heavy-Duty Motive revenues and the related customer collections, by lower accounts payable and accrued liabilities of ($1.8) million due primarily to the timing of purchases and supplier payments including the payment of acquisition and transaction related costs incurred on the Protonex acquisition, and by lower deferred revenue of ($1.5) million as we completed the contract work on certain Technology Solutions, Heavy-Duty Motive and government grant contracts for which we received pre-payments in an earlier period.

For the year ended December 31, 2016, cash used in operating activities in 2016 was ($3.9) million, consisting of cash operating losses of ($12.4) million, partially offset by net working capital inflows of $8.5 million. For the year ended December 31, 2015, cash used in operating activities was ($25.4) million, consisting of cash operating losses of ($19.3) million and net working capital outflows of ($6.0) million. The $21.5 million reduction in cash used by operating activities in 2016, as compared to 2015, was driven by the relative improvement in cash operating losses of $6.9 million, combined with the relative reduction in working capital changes of $14.6 million. The $6.9 million decline in cash operating losses in 2016 was due primarily to the $5.4 million reduction in Adjusted EBITDA loss, combined with lower acquisition costs of $1.5 million which were incurred for the Protonex acquisition in 2015.

In 2016, net working capital inflows of $8.5 million in 2016 were driven by higher deferred revenue of $14.5 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by higher accounts payable and accrued liabilities of $1.0 million due primarily to restructuring and wage accrual expenses which will be paid into 2017. These 2016 working capital inflows were partially offset by higher inventory of ($2.3) million primarily to support expected Heavy-Duty Motive shipments to customers in the first quarter of 2017, by lower accrued warranty obligations of ($2.6) million due primarily to customer service related expenses incurred in our Material Handling market and by Backup Power warranty contract expirations, by higher prepaid expenses of ($1.3) million primarily related to withholding taxes incurred on certain Chinese transactions, and by higher accounts receivable of ($0.8) million primarily as a result of the timing of Material Handling, Technology Solutions and Portable Power revenues and the related customer collections.

Working capital outflows of ($6.0) million in 2015 was driven by higher inventory of ($5.6) million primarily to support expected Heavy-Duty Motive and Portable Power product shipments in the first quarter of 2016, by lower accrued warranty obligations of ($3.6) million due primarily to customer service related expenses incurred in our Backup Power market in Asia and by Heavy-Duty Motive warranty contract expirations, and by lower accounts payable and accrued liabilities of ($1.3) million due primarily to the timing of purchases and supplier payments. These 2015 working capital outflows were partially offset by higher deferred revenue of $4.0 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed.

Investing activities resulted in net cash inflows (outflows) of ($3.4) million and $5.2 million, respectively, for the three months and year ended December 31, 2016, compared to net cash inflows (outflows) of ($3.6) million and $23.3 million, respectively, for the corresponding periods of 2015. Investing activities in 2016 of $5.2 million consist primarily of net proceeds of $9.2 million received in the first quarter of 2016 as a result of the fourth quarter of 2015 sale of the automotive-related know-how of the UTC Portfolio to Volkswagen, the initial net proceeds of $3.0 million received in the second quarter of 2016 from the CHEM transaction, partially offset by capital expenditures of ($2.8) million, by investments in fuel cell technology intangible assets of ($1.1) million, and by investments in other intangible assets of ($3.0) million relating to a fully integrated Enterprise Resource Planning (“ERP”) management reporting software system. Investing activities in 2015 of $23.3 million consist primarily of net proceeds on the sale of intellectual property of $29.5 million received on the closing of the initial tranche of the Volkswagen IP Agreement, partially offset by capital expenditures of ($2.3) million, by the acquisition of Protonex of ($3.8) million partially offset by acquired Protonex cash of $1.5 million, and by investments in fuel cell technology intangible assets of ($1.6) million.

Financing activities resulted in net cash inflows of nil and $31.0 million, respectively, for the three months and year ended December 31, 2016, compared to net cash inflows of $4.9 million and $18.1 million, respectively, for the corresponding periods of 2015. Financing activities in 2016 of $31.0 million consist of net proceeds received from the Broad-Ocean strategic equity investment of $28.2 million, net proceeds of $3.3 million (Canadian $4.6 million) received pursuant to a settlement agreement with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement, proceeds from employee share purchase option exercises of $0.5 million, partially offset by capital lease payments of ($1.0) million. Financing activities in 2015 of $18.1 million consist of net proceeds received from the July 2015 Offering of $13.4 million, net proceeds from the November 2015 Nisshinbo strategic equity investment of $5.0 million, net proceeds from share purchase warrant exercises of $0.2 million, proceeds from employee share purchase option exercises of $0.4 million, partially offset by capital lease payments of ($0.8) million.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, we had total Liquidity of $72.6 million. We measure Liquidity as our net cash position, consisting of the sum of our cash, cash equivalents and short-term investments of $72.6 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.

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. As of December 31, 2016, nothing 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 net proceeds received pursuant to the Broad Ocean strategic equity investment, the Volkswagen IP Agreement, the July 2015 Offering, the November 2015 Nisshinbo equity investment, and the settlement of the Superior Plus Indemnity Agreement, along with the improvement in our financial performance, 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 $72.6 million at December 31, 2016, there are 0.1 million warrants outstanding (expire on March 27, 2018) from the March 2013 underwritten 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 underwritten 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 new short form base shelf prospectus ("Prospectus") in June 2016 ahead of the expiry of our existing short form base shelf prospectus 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 July 2018) 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.

2017 BUSINESS OUTLOOK

Ballard has committed orders of approximately $87 million expected for delivery in 2017, along with a significant pipeline of qualified commercial sales opportunities. We believe that these orders and our sales pipeline, along with current market conditions and our strategic, competitive and balance sheet positioning, support continued revenue growth, growth margin expansion and improved financial performance in 2017. Sales to Chinese customers in 2017 are also expected to account for an increased proportion of total revenue.

We anticipate growth in product revenues in 2017 supported by increased activity in Heavy-Duty Motive and growth in Portable Power. We also expect Technology Solutions to account for a larger proportion of total revenue in 2017, supported by work related to contracts in China as well as engineering services work with automotive partners. In addition, Technology Solutions work is expected with customers in the rail, military, and unmanned aerial vehicle sectors.

Given the early stage of fuel cell market development and adoption rate and consistent with our approach in 2016, we have decided not to provide specific financial performance guidance for 2017. 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.

Our outlook for 2017 is based on our internal forecast which reflects an assessment of overall business conditions and takes into account actual sales and financial results in the first six weeks of 2017, sales orders received for units and services to be delivered in the remainder of 2017, an estimate with respect to the generation of new sales and the timing of deliveries in each of our markets for the balance of 2017, and assumes an average U.S. dollar exchange rate in the mid 70's in relation to the Canadian dollar for the remainder of 2017. The primary risk factors to our business outlook expectations for 2017 are delays from forecast in terms of closing and delivering expected sales primarily in our Heavy-Duty Motive and Portable Power markets, potential adverse macro-economic conditions negatively impacting our Chinese customer's access to capital and program plans which could adversely impact our Heavy-Duty market, potential disruptions in the Material Handling market as a result of our reliance on a single customer in this market and that customer's internal stack development and commercialization plans, and fluctuations in the Canadian dollar, relative to the U.S. dollar, as a significant portion of our Technology Solutions 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 other comprehensive income if formally designated and qualified under hedge accounting criteria; or (ii) recorded in profit or loss if either not designated, or not qualified, under hedge accounting criteria. At December 31, 2016, we had outstanding foreign exchange currency contracts to purchase a total of Canadian $10.75 million at an average rate of 1.32 Canadian per U.S dollar, resulting in an unrealized loss of Canadian ($0.2) million at December 31, 2016. The outstanding foreign exchange currency contracts are not qualified under hedge accounting.

At December 31, 2016, 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, 2016, 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	4-5 years	After 5 years
Operating leases	**$ 9,706**	$ 2,617	$ 4,382	$ 1,227	$ 1,480
Capital leases	**9,362**	1,055	2,109	2,414	3,783
Asset retirement obligations	**4,375**	-	2,720	-	1,655
Total contractual obligations	**$ 23,443**	$ 3,672	$ 9,211	$ 3,641	$ 6,918

In addition, we have outstanding commitments of $3.9 million at December 31, 2016 related primarily to the ongoing implementation of an ERP management reporting software system and for purchases of capital assets. Capital expenditures and expenditures on other intangible assets 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 at December 31, 2016, we retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of Canadian $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 Canadian $2.2 million) on sales of 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.

At December 31, 2016, we have not accrued any amount owing, or receivable, as a result of any indemnity agreements undertaken in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in us including their subsidiaries and affiliates, and our equity accounted investee. 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. Transactions between us and our subsidiaries are eliminated on consolidation. For the three months and years ended December 31, 2016 and 2015, related party transactions and balances were limited to transactions with our 10% equity accounted investee, Synergy JVCo as follows:

(Expressed in thousands of U.S. dollars)	Three Months and Year Ended December 31,	
Transactions with related parties	**2016**	2015
Revenues	$ **4,389**	$ -
Purchases	**$ -**	$ -

(Expressed in thousands of U.S. dollars)	As at December 31,	
Balances with related parties	**2016**	2015
Investments	**$ 1,185**	$ -
Trade and other payables	**$ 1,005**	$ -
Deferred revenue	**$ 15,501**	$ -

We also provide key management personnel, being board directors and executive officers, certain benefits, in addition to their salaries. Key management personnel also participate in the Company's share-based compensation plans. Key management personnel compensation is summarized in note 30 to our annual consolidated financial statements for the year ended December 31, 2016.

OUTSTANDING SHARE DATA

As at March 1, 2017	
Common share outstanding	174,749,630
Warrants outstanding	1,797,563
Options outstanding	5,537,729
DSU's outstanding	1,125,250
RSU's and PSU's outstanding (subject to vesting criteria)	1,473,408

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, 2016.

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 fundamental knowledge, and the provision of engineering services and technology transfer services. Product and service revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Intellectual property and fundamental knowledge license and sale revenues are derived primarily from licensing and sale and technology transfer agreements and from long-term fixed price contracts. Engineering service and technology transfer 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 licensing and sale and technology transfer 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 Company 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. If 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, 2016 and 2015, 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 business.

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 cumulative 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, 2016, our consolidated goodwill balance of $40.6 million relates solely to our Fuel Cell Products and Services segment. Based on the impairment test performed as at December 31, 2016, we have concluded that no goodwill impairment charge is required for the year ending December 31, 2016. Details of our 2016 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, 2016 based on the average closing share price in the month of December, add a reasonable estimated control premium 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 and Services segment. As a result of this assessment, we have determined that the fair value of the Fuel Cell Products and Services segment exceeds its carrying value as of December 31, 2016 indicating that no impairment charge is required for 2016.

- 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 25% from 2017 to 2022; and a terminal year EBITDA multiplied by a terminal value multiplier of 10. 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, 2016 indicating that no impairment charge is required in 2016.

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 year ended December 31, 2016, we recorded impairment losses on intangible assets of ($0.8) million and impairment losses on property, plant and equipment of ($0.4) million as we wrote-down certain methanol Telecom Backup Power assets to their estimated net realizable value of $nil. The impairment charges were incurred during the first quarter of 2016 while we continued to review strategic alternatives for our methanol Telecom Backup Power assets prior to concluding the transaction with CHEM in the second quarter of 2016.

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, 2016, we recorded provisions to accrued warranty liabilities of $0.4 million and $1.1 million, respectively, for new product sales, compared to $0.3 million and $0.9 million, respectively, for the three months and year ended December 31, 2015.

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, 2016 were adjusted downwards by a net amount of $0.4 million and $0.5 million, respectively, compared to a net adjustment downwards of $0.5 million and $1.3 million for the three months and year ended December 31, 2015. The positive adjustments to the accrued warranty liability provisions in 2016 were due primarily to contractual expirations and improved lifetimes of our Backup Power products, whereas the positive adjustments to the accrued warranty liability provision in 2015 were due primarily due to contractual warranty expirations and improved lifetimes and reliability of our Heavy-Duty Motive 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, 2016, negative inventory adjustments of ($0.6) million were recorded as a charge to cost of product and service revenues, compared to negative inventory adjustments of ($0.4) million and ($0.6) million, respectively, for the three months and year ended December 31, 2015.

IMPAIRMENT (LOSSES) RECOVERIES ON TRADE RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. In determining the fair value of our trade and other receivables and establishing the appropriate provision for doubtful accounts, we perform regular reviews to estimate the likelihood that our trade and other accounts receivable will ultimately be collected in a timely manner. Where we determine that customer collectability issues have occurred and will have a negative impact on the value of trade and other receivables, appropriate provisions are made. If there is a subsequent recovery in the value of trade and other receivables, reversals of previous write-downs to fair value are made. Unforeseen changes in these factors could result in additional impairment provisions, or reversals of previous impairment provisions, being required. During the three months and year ended December 31, 2016, net impairment (charges) on trade receivables of ($0.1) million were recorded in other operating income, compared to net impairment (charges) recoveries of nil and $0.9 million, respectively, for the three months and year ended December 31, 2015.

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, 2016 and 2015, 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:

We did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had 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 2 – SHARE-BASED PAYMENTS

On June 20, 2016, the IASB issued amendments to *IFRS 2 Share-based Payment*, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

On May 28, 2014, the IASB issued *IFRS 15 Revenue from Contracts with Customers*. IFRS 15 will replace *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*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15.

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 clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The new standard is effective for annual periods beginning on or after January 1, 2018 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, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 – FINANCIAL INSTRUMENTS

On July 24, 2014, the IASB issued the complete *IFRS 9 Financial Instruments* ("IFRS 9 (2014)"). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Corporation intends to adopt IFRS 9 (2014) in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 – LEASES

On January 13, 2016, the IASB issued IFRS 16 Leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply *IFRS 15 Revenue from Contracts with Customers* as at or before the date of initial adoption of IFRS 16. IFRS 16 will replace *IAS 17 Leases.* The Corporation intends to adopt IFRS 16 in its financial statements for the fiscal year beginning on January 1, 2019. The extent of the impact of adoption of the standard 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 (including its components of research and product development (operating cost), general and administrative (operating cost) and sales and marketing (operating cost)), EBITDA and Adjusted EBITDA, and Adjusted 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 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 an ongoing 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 or recoveries on trade receivables, restructuring charges, acquisition costs, and financing charges. The following tables show a reconciliation of operating expenses to Cash Operating Costs for the three months and year ended December 31, 2016 and 2015:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Cash Operating Costs	**2016**	2015	$ Change
Total Operating Expenses	**$ 8,976**	**$ 9,303**	$ (327)
Stock-based compensation (expense) recovery	**(581)**	**(248)**	(333)
Impairment recovery (losses) on trade receivables	**132**	**39**	93
Acquisition and integration costs	**-**	**(902)**	902
Restructuring (charges) recovery	**217**	**-**	217
Financing charges	**-**	**-**	-
Depreciation and amortization	**(604)**	**(463)**	(141)
Cash Operating Costs	**$ 8,140**	**$ 7,729**	$ 411

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Cash Operating Costs	**2016**	2015	$ Change
Total Operating Expenses	**$ 42,253**	**$ 34,858**	$ 7,395
Stock-based compensation (expense) recovery	**(3,024)**	**(2,949)**	(75)
Impairment recovery (losses) on trade receivables	**63**	**899**	(836)
Acquisition and integration costs	**(43)**	**(1,542)**	1,499
Restructuring (charges) recovery	**(2,318)**	**13**	(2,331)
Financing charges	**-**	**-**	-
Depreciation and amortization	**(2,593)**	**(2,229)**	(364)
Cash Operating Costs	**$ 34,338**	**$ 29,050**	$ 5,288

The components of Cash Operating Costs of research and product development (operating cost), general and administrative (operating cost), and sales and marketing (operating cost) differ from their respective most comparable GAAP measure of research and product development expense, general and administrative expense, and sales and marketing expense, primarily because they do not include stock-based compensation expense and depreciation and amortization expense. A reconciliation of these respective operating expenses to the respective components of Cash Operating Costs for the three months and year ended December 31, 2016 and 2015 is included in Operating Expense and Other Items.

A breakdown of total stock-based compensation expense for the three months and year ended December 31, 2016 and 2015 are as follows:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Stock-based compensation expense	**2016**	2015	$ Change
Total stock-based compensation expense recorded as follows:			
Cost of goods sold	**$ -**	**$ -**	$ -
Research and product development expense	**260**	**74**	186
General and administrative expense	**493**	**82**	411
Sales and marketing expense (recovery)	**(172)**	**92**	(264)
Stock-based compensation expense	**$ 581**	**$ 248**	$ 333

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Stock-based compensation expense	**2016**	2015	$ Change
Total stock-based compensation expense recorded as follows:			
Cost of goods sold	**$ -**	**$ -**	$ -
Research and product development expense	**1,067**	**957**	110
General and administrative expense	**1,666**	**1,292**	374
Sales and marketing expense	**291**	**700**	(409)
Stock-based compensation expense	**$ 3,024**	**$ 2,949**	$ 75

A breakdown of total depreciation and amortization expense for the three months and year ended December 31, 2016 and 2015 are as follows:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Depreciation and amortization expense	**2016**	2015	$ Change
Total depreciation and amortization expense recorded as follows:			
Cost of goods sold	**$ 451**	**$ 1,073**	$ (622)
Research and product development expense	**512**	**321**	191
General and administrative expense	**92**	**140**	(48)
Sales and marketing expense	**1**	**2**	(1)
Depreciation and amortization expense	**$ 1,056**	**$ 1,536**	$ (480)

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Depreciation and amortization expense	**2016**	2015	$ Change
Total depreciation and amortization expense recorded as follows:			
Cost of goods sold	**$ 1,951**	**$ 2,146**	$ (195)
Research and product development expense	**2,214**	**1,947**	267
General and administrative expense	**375**	**280**	95
Sales and marketing expense	**4**	**2**	2
Depreciation and amortization expense	**$ 4,544**	**$ 4,375**	$ 169

EBITDA and Adjusted EBITDA

These supplemental non-GAAP measures are provided to assist readers in determining our operating performance. 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, 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 loss attributable to Ballard to EBITDA and Adjusted EBITDA for the three months and year ended December 31, 2016 and 2015:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
EBITDA and Adjusted EBITDA	**2016**	2015	$ Change
Net income (loss) attributable to Ballard	**$ (1,121)**	**$ (1,355)**	$ 234
Depreciation and amortization	**1,056**	**1,536**	(480)
Finance expense	**164**	**208**	(44)
Income taxes	**127**	**(1)**	128
EBITDA attributable to Ballard	**$ 226**	**$ 388**	$ (162)
Stock-based compensation expense	**581**	248	333
Acquisition and integration costs	**-**	902	(902)
Finance and other (income) loss	**700**	950	(250)
Gain on sale of intellectual property	**-**	(5,424)	5,424
Loss on sale of assets	**256**	-	256
Adjusted EBITDA	**$ 1,763**	$ (2,936)	$ 4,699

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
EBITDA and Adjusted EBITDA	**2016**	2015	$ Change
Net income (loss) attributable to Ballard	**$ (21,112)**	$ (5,815)	$ (15,297)
Depreciation and amortization	**4,544**	4,375	169
Finance expense	**686**	794	(108)
Income taxes	**381**	211	170
EBITDA attributable to Ballard	**$ (15,501)**	$ (435)	$ (15,066)
Stock-based compensation expense (recovery)	**3,024**	2,949	75
Acquisition and integration costs	**43**	1,542	(1,499)
Finance and other (income) loss	**777**	305	472
Gain on sale of intellectual property	**-**	(19,619)	19,619
Impairment charges on intangible assets and property, plant and equipment	**1,151**	-	1,151
Loss (gain) on sale of assets	**623**	(1)	624
Adjusted EBITDA	**$ (9,883)**	$ (15,259)	$ 5,376

Adjusted 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 transactional gains and losses and impairment losses. Adjusted Net Loss (formerly named Normalized Net Loss) differs from the most comparable GAAP measure, net loss attributable to Ballard, primarily because it does not include impairment losses or recoveries on trade receivables, transactional gains and losses, asset impairment charges, and acquisition costs. The following table shows a reconciliation of net loss attributable to Ballard to Adjusted Net Loss for the three months and year ended December, 2016 and 2015.

(Expressed in thousands of U.S. dollars)	Three months ended September 30,		
Adjusted Net Loss	**2016**	2015	$ Change
Net (loss) attributable to Ballard	**$ (1,121)**	$ (1,355)	$ 234
Impairment loss (recovery) on trade receivables	**(132)**	(39)	(93)
Acquisition and integration costs	**-**	902	(902)
Gain on sale of intellectual property	**-**	(5,424)	5,424
Loss on sale of assets	**260**	-	260
Adjusted Net Loss	**$ (993)**	$ (5,916)	$ 4,923
Adjusted Net Loss per share	**$ (0.01)**	$ (0.04)	$ 0.03

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Adjusted Net Loss	**2016**	2015	$ Change
Net (loss) attributable to Ballard	**$ (21,112)**	$ (5,815)	$ (15,297)
Impairment loss (recovery) on trade receivables	**(63)**	(899)	836
Acquisition and integration costs	**43**	1,542	(1,499)
Gain on sale of intellectual property	**-**	(19,619)	19,619
Loss on sale of assets	**632**	-	632
Impairment charges on intangible assets and property, plant and equipment	**1,151**	-	1,151
Adjusted Net Loss	**$ (19,349)**	$ (24,791)	$ 5,442
Adjusted Net Loss per share	**$ (0.12)**	$ (0.18)	$ 0.06

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, 2016, 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, 2016.

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 effectiveness of our internal control over financial reporting as of December 31, 2016.

Changes in internal control over financial reporting

During the year ended December 31, 2016, we updated the design of our disclosure controls and procedures and internal controls over financial reporting to include the controls, policies and procedures of Protonex, which was acquired on October 1, 2015. During the year ended December 31, 2016, there were no other 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 now includes controls, policies and procedures covering both Protonex and Ballard Power Systems Europe A/S (formerly Dantherm Power A/S).

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 which remain substantively unchanged. The risks and uncertainties described 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, 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 successfully execute our business plan;
- In our Heavy-Duty Motive market, we depend on Chinese customers for a majority of our revenues. Macro-economic conditions, including government subsidy programs and significant and recent volatility in China's capital markets, may adversely impact our Chinese customer's access to capital and program plans which could adversely impact our business;
- In our Technology Solutions market, we depend on a single customer for the majority of our revenues;
- In our Portable Power market, defense spending volatility could have an adverse impact on our business;
- In our Portable Power market, defense acquisition process changes could have an adverse impact on our business;
- In our Material Handling market, we depend on a single customer for the majority of our revenues and are subject to risks from that customer's internal stack development and commercialization plans;
- In our Heavy-Duty Motive market, a significant amount of operations are conducted by a joint venture that we cannot operate solely for our benefit;
- 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;
- Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan;
- We are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products;

- We may not be able to achieve commercialization of our products on the timetable we anticipate, or at all;
- 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 could be adversely affected by risks associated with acquisitions;
- We are subject to risks inherent in international operations;
- We depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our expected future growth and success;
- We may experience cybersecurity threats to our information technology infrastructure and systems, and unauthorized attempts to gain access to our proprietary or confidential information, as may our customers, suppliers, subcontractors and joint venture partners;
- Global macro-economic conditions are beyond our control and may have an adverse impact on our business or on our key suppliers and / or customers
- 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 are dependent on third party suppliers for the supply of key materials and components for our products and services;
- 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 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) 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 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, controlling our costs, and obtaining the expected benefits arising from the Protonex acquisition. 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 including subsidies or incentives associated with the adoption of clean energy products; 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; risks relating to the Company’s successful integration of Protonex and its operations, such as the loss of key personnel due to the transaction, the disruption to the operations of the Company and Protonex’ respective businesses, the cost of integration exceeding that projected by Ballard, and the integration failing to achieve the expected benefits of the transaction; the magnitude of the rate of change of the Canadian dollar versus the U.S. dollar; and the general assumption that none of the risks identified in the Risks and Uncertainties section of this report or in our most recent Annual Information Form will materialize. Readers should not place undue reliance on Ballard's forward-looking statements.

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



BALLARD POWER SYSTEMS INC.

ANNUAL INFORMATION FORM

MARCH 1, 2017

TABLE OF CONTENTS

CORPORATE STRUCTURE	2
Name, Address and Incorporation	2
Our Mission, Vision and Values	2
Intercorporate Relationships	3
Recent History	4
Volkswagen Group & Audi Accelerate Fuel Cell Technology Solutions Program	4
Strategic Collaboration and Equity Investment Deal With Broad-Ocean Motor	4
Local Production of Fuel Cell Stacks in China	6
Technology Solutions Transaction for Hydrogen Backup Power Systems in China	7
Protonex Receives $5.8M Follow-On Product Order for the U.S. Army	7
Sale of Methanol Telecom Backup Power Business	7
Equipment Supply Agreement with Nation-Synergy	8
Nisshinbo Holdings Inc. Private Placement & Technology Solutions Program	8
Light Rail Agreement with Tangshan Railway Vehicle Company, Limited	8
Acquisition of Protonex Technology Corporation	8
Sale of ElectraGen® Hydrogen Modules to the Aditya Birla Group	9
Agreements with CRRC Qingdao Sifang Company, Ltd.	9
July 2015 Public Offering of Common Shares	9
Nantong Zehe New Energy Technology Co., Ltd. and Guangdong Synergy Hydrogen Power Technology Co., Ltd. License and Supply Agreements	9
Audi IP Asset Transfer	10
Plug Long Term Sales Agreement	10
UTC IP Acquisition	10
2013 Public Offerings	10
OUR BUSINESS	11
Strategy	11
Revenues from Market Segments	13
Our Markets, Products and Services	14
Product & Service Overview	14
Fuel Cell Products and Services	16
Power Products Markets	16
Impact of Regulations and Public Policy	22
Research and Product Development	23
Intellectual Property	24
Manufacturing	24

Safety	25
Quality	25
Facilities	26
Human Resources	26
SHARE CAPITAL AND MARKET FOR SECURITIES	26
DIVIDEND RECORD AND POLICY	28
DIRECTORS AND OFFICERS	28
Board of Directors	28
Senior Officers	32
Shareholdings of Directors and Senior Officers	32
AUDIT COMMITTEE MATTERS	33
Audit Committee Mandate	33
Composition of the Audit Committee	33
Audit Fees	35
Audit-Related Fees	35
Tax Fees	36
All Other Fees	36
TRANSFER AGENT AND REGISTRAR	36
LEGAL PROCEEDINGS	36
INTERESTS OF EXPERTS	36
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	36
MATERIAL CONTRACTS	36
FCveloCity®-9SSL fuel cell stack production operation	37
Protonex Acquisition	37
Audi IP Asset Transfer	38
UTC IP Acquisition	38
Technology Development Agreement with Volkswagen	39
RISK FACTORS	40
ADDITIONAL INFORMATION	53
APPENDIX “A” AUDIT COMMITTEE MANDATE	54

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", "could", "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 successfully execute our business plan; in our Heavy-Duty Motive market, we depend on Chinese customers for a majority of our revenues. Macro-economic conditions, including government subsidy programs and significant and recent volatility in China's capital markets, may adversely impact our Chinese customers' access to capital and program plans which could adversely impact our business; in our Technology Solutions market, we depend on a single customer for the majority of our revenues; in our Portable Power market, defense spending volatility could have an adverse impact on our business; in our Portable Power market, defense acquisition process changes could have an adverse impact on our business; in our Material Handling market, we depend on a single customer for the majority of our revenues and are subject to risks from that customer's internal fuel cell stack development and commercialization plans; in our Heavy-Duty Motive market a significant amount of operations are conducted by a joint venture that we cannot operate solely for our benefit; 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; potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan; we are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products; we may not be able to achieve commercialization of our products on the timetable we anticipate, or at all; 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 could be adversely affected by risks associated with acquisitions; we are subject to risks inherent in international operations; we depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our expected future growth and success; we may experience cybersecurity threats to our information technology infrastructure and systems, and unauthorized attempts to gain access to our proprietary or confidential information, as may our customers, suppliers, subcontractors and joint venture partners; global macro-economic conditions are beyond our control and may have an adverse impact on our business or our key suppliers and/or customers; 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 are dependent on third party suppliers for the supply of key materials and components for our products and services; 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 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.

In this Annual Information Form, references to "Corporation", "Ballard", "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. Canadian dollars are indicated by the symbol "C$", and euros by the symbol "€".

Except where otherwise indicated, all information presented is as of December 31, 2016.

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. On August 24, 2016, Ballard continued into British Columbia under the *Business Corporations Act*. 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.

Our Mission, Vision and Values

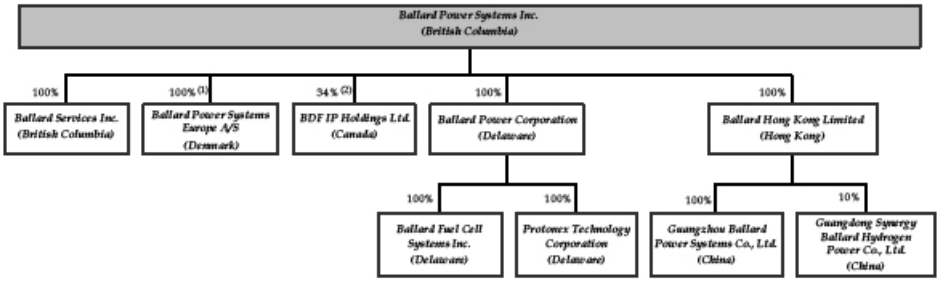
Our vision is to be the leading global provider of innovative clean energy solutions, and our mission is to use our extensive fuel cell and systems know-how to profitably deliver innovative clean energy solutions to our customers, create rewarding opportunities for our team, and provide extraordinary value to our shareholders.

Our values represent our core beliefs, and underpin how we carry on our business: Listen and Deliver – We listen to our customers, understand their business, and deliver valuable solutions for lasting partnerships; Quality. Always – We deliver quality in everything we do, without exception; Inspire Excellence – We inspire excellence through leadership, empowerment and consistent demonstration of integrity, urgency, and passion; Row Together – We achieve success through collaboration, respect, and trust; Own It – We step up, take ownership for our results, and trust others to do the same.

Intercorporate Relationships

We have six principal subsidiaries and affiliates: Ballard Fuel Cell Systems Inc., a Delaware corporation that provides certain services to customers in the U.S. and internationally and does certain development work; Ballard Power Systems Europe A/S (formerly Dantherm Power A/S) ("**Ballard Europe**"), a Danish corporation; BDF IP Holdings Ltd. ("**IP Holdings**"), a Canadian corporation that holds intellectual property assets; Ballard Services Inc., a British Columbia company that provides engineering services; and Protonex Technology Corporation ("**Protonex**"), a Delaware corporation that is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions; and Guangzhou Ballard Power Systems Co., Ltd., a recently incorporated Chinese wholly foreign-owned entity that will provide engineering services in China.

The following chart shows these principal subsidiaries and affiliates, their respective jurisdictions of incorporation and our percentage of share ownership in each of them, all as of March 1, 2017:



Notes

(1) The Corporation acquired all of the shares of Ballard Europe previously owned by Dantherm A/S on January 10, 2017. As of December 31, 2016, the Corporation owned 57% of the shares of Ballard Europe and Dantherm A/S owned 43%.

(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 building a clean energy business and expanding our recognized leadership in proton exchange membrane ("**PEM**") fuel cell development and commercialization. The following are key recent developments:

Volkswagen Group & Audi Accelerate Fuel Cell Technology Solutions Program

On September 26, 2016, we announced that automotive original equipment manufacturer (" **OEM**") Audi AG ("**Audi**") has issued purchase orders to Ballard to accelerate certain key development activities under the current long-term Technology Solutions program that the Volkswagen Group has with Ballard arising from the March 6, 2013 agreement discussed below.

As announced in a February 11, 2015 press release, the current 6-year engineering services contract with the Volkswagen Group runs to March 2019, with an optional 2-year extension beyond that date. The contract has an estimated value of C$100-140 million (approximately $80-112 million at the time of the press release). The HyMotion program encompasses automotive fuel cell stack development as well as system design support activities.

In 2016 the Volkswagen Group transferred responsibility for fuel cell development to its Audi luxury brand, and is also accelerating the timeline for series production. The acceleration in HyMotion program activities is focused on reconfiguration of the current fuel cell stack and acceleration in the development of a next-generation fuel cell stack.

On March 6, 2013, we entered into an agreement with Volkswagen 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, including the design and manufacture of a next-generation fuel cells for use in Volkswagen HyMotion demonstration cars.

Strategic Collaboration and Equity Investment Deal With Broad-Ocean Motor

On July 26, 2016, Zhongshan Broad-Ocean Motor Co., Ltd. (" **Broad-Ocean**") and Ballard entered into a strategic collaboration that included a $28.3 million equity investment in Ballard.

On August 18, 2016, the investment by Broad-Ocean was completed through a subscription and purchase of 17,250,000 common shares of Ballard issued from treasury at a price per share based on a 20-day volume weighted average price calculation (the calculated price per share was $1.64), and representing approximately 9.9% of Ballard's then-outstanding common shares.

Broad-Ocean and Ballard also entered into an Investor Rights Agreement under which Broad-Ocean has agreed to a two-year hold period on the common shares purchased; provided Ballard with a right of first refusal to sell Broad-Ocean additional treasury shares if Broad-Ocean wishes to increase its ownership position up to 20%; and has agreed to a two-year "standstill" under which it will not purchase more than 19.9% of Ballard's outstanding common shares without receiving Ballard board approval. Ballard has granted Broad-Ocean anti-dilution rights to maintain its 9.9% ownership interest. Finally, Broad-Ocean has no special right to appoint nominees to Ballard's board of directors.

The strategic collaboration framework agreement between Ballard, Broad-Ocean and Guangdong Nation-Synergy Hydrogen Power Technology Co. Ltd. ("**Nation-Synergy**") was signed on July 26, 2016, and encompassed a number of collaboration activities conducted on commercial terms in China, including:

- market development activities and product development for hydrogen fuel cell vehicles, including buses and commercial vehicles;
- potential license and local assembly of Ballard fuel cell modules by Broad-Ocean in selected Chinese cities;
- integration of Ballard fuel cell modules with Broad-Ocean EV drive systems to provide customers with turnkey fuel cell engines; and
- leveraging of Broad-Ocean's global operations and supply chain infrastructure to lower the cost of Ballard fuel cell engines and the cost of integration with vehicle drivetrains.

On February 16, 2017, we announced that we signed a definitive agreement relating to technology transfer, licensing and supply arrangements with Broad-Ocean for the assembly and sale of FCveloCity® 30-kilowatt (kW) and 85kW fuel cell engines in China. Under the deal, Broad-Ocean will manufacture fuel cell modules in three strategic regions in China, including Shanghai. Broad-Ocean will make payments to Ballard at closing and based on certain commissioning milestones, initial supply agreements, and recurring royalty payments. Ballard will also have the exclusive right to purchase fuel cell engines from any of the Broad-Ocean manufacturing operations for sale outside China.

The deal has an estimated value of approximately $25 million in revenue to Ballard over the initial 5-year term, including $12 million in Technology Solutions revenue. The transaction is subject to customary closing conditions and is expected to close by Q2 2017.

Local Production of Fuel Cell Stacks in China

On July 18, 2016, we signed definitive agreements in Foshan, China with Nation-Synergy for the establishment of an FCveloCity ®-9SSL fuel cell stack production operation in the City of Yunfu, in Guangdong Province. The fuel cell stacks will be packaged into locally-assembled fuel cell engines and integrated into zero-emission buses and commercial vehicles in China.

Ballard will receive $18.4 million in Technology Solutions revenue for technology transfer services, production equipment specification and procurement services, training and commissioning support in relation to the establishment of an FCveloCity®-9SSL fuel cell stack production line in Yunfu, with most of this revenue expected to be recognized in 2017.

On commissioning of the operation, expected in 2017, Ballard will be the exclusive supplier of membrane electrode assemblies (" **MEA**") for each fuel cell stack manufactured by the joint venture, named Guangdong Synergy Ballard Hydrogen Power Co., Ltd. ("**Stack Joint Venture**"), with minimum annual MEA volume commitments on a "take or pay" basis totaling in excess of $150 million over the initial 5-year term from 2017 to 2021.

The transaction completed on October 25, 2016 and in connection with the completion the Stack Joint Venture was formed to undertake the stack manufacturing operations. The Stack Joint Venture is 90% owned by Nation-Synergy and 10% owned by Ballard Hong Kong Limited. Under the terms of the joint venture, Ballard will contribute RMB 6.7 million (approximately $1.0 million) for its 10% joint venture interest, appoint one of the three members of the joint venture board directors, have veto rights over certain key Stack Joint Venture decisions, agree on the marketing strategy, and will have no obligation to provide additional funding to the Stack Joint Venture.

After commissioning of the operation, the joint venture will have an exclusive right to manufacture and sell FCveloCity ®-9SSL stacks in China. Exclusivity will be subject to certain performance criteria of the joint venture, including compliance with a code of ethics, compliance with Ballard's quality policies, compliance with Ballard's branding policies, achievement of the minimum annual "take or pay" MEA volumes, compliance with payment terms, and compliance with certain intellectual property covenants. Ballard will have the exclusive right to purchase fuel cell stacks and subcomponents from the Stack Joint Venture for sale outside China.

Technology Solutions Transaction for Hydrogen Backup Power Systems in China

On July 11, 2016, we announced that we had signed a definitive agreement with Nation-Synergy for a Technology Solutions transaction to enable Nation-Synergy to exclusively manufacture and sell Ballard's direct hydrogen FCgen®-H2PM fuel cell backup power systems in China.

Under the agreement Ballard licensed the designs of its 1.7 kW and 5 kW FCgen ®-H2PM systems to Nation-Synergy for manufacture in the City of Yunfu in Guangdong Province and exclusive sales in China. Nation-Synergy has paid Ballard an upfront Technology Solutions fee of $2.5 million for the license and related technology services and will make additional recurring payments to Ballard for each unit sold, subject to annual minimums. Ballard will also be the exclusive supplier of air-cooled fuel cell stacks to Nation-Synergy for use in the FCgen®-H2PM systems that it produces and sells.

Protonex Receives $5.8M Follow-On Product Order for the U.S. Army

On June 1, 2016, we announced that the Corporation's subsidiary, Protonex, received a $5.8 million purchase order for the supply of Squad Power Manager (SPM-622) Special Operations Kits for U.S. Special Operations Command. The purchase order is the largest order in Protonex history and represents follow-on business from the $2.8 million order from the same customer received in December 2015 for more than 400 SPMs (a value of approximately $2.8 million). All products under this new order were shipped in 2016.

The purchase order was issued by the Program Executive Office (PEO) – Soldier, as part of the Nett Warrior program. These Protonex SPM-622 kits have been specifically designed for the requirements of U.S. Special Operations Command and will be deployed with designated Special Operations forces for use in the field.

Sale of Methanol Telecom Backup Power Business

On May 17, 2016, we announced that we has entered into a definitive agreement to sell certain of the Corporation's methanol Telecom Backup Power business assets to Chung-Hsin Electric & Machinery Manufacturing Corporation ("**CHEM**"), a major Taiwanese power equipment company, for a purchase price of up to $6.1 million.

At the closing, CHEM made an upfront payment of $3 million. An additional earnout of up to $3.1 million may be payable to the Corporation based on certain sales objectives during a pre-defined earnout period. In addition to the purchase price, CHEM has agreed to purchase fuel cell stacks exclusively from the Corporation over the earnout period, with a minimum spend of $2 million. On May 31, 2016, the sale of the Corporation's methanol Telecom Backup Power business assets contemplated by the definitive agreement closed.

Equipment Supply Agreement with Nation-Synergy

On January 21, 2016, we announced the signing of an equipment supply agreement, valued at $12 million, with Nation-Synergy to provide FCveloCity®-9SSL fuel cell stacks for range extension applications in commercial vehicles in China. The majority of the fuel stacks were delivered in 2016 with the balance to be delivered in 2017. Nation-Synergy will collaborate with Dongfeng Xiangyangtouring Car Co., Ltd., which is part of Dongfeng Motor Corporation, a Chinese state-owned automobile manufacturer headquartered in Wuhan, China, and the largest manufacturer of commercial vehicles in China.

Nisshinbo Holdings Inc. Private Placement & Technology Solutions Program

On November 10, 2015, we successfully closed a $5 million strategic equity investment in Ballard by Nisshinbo Holdings Inc. (" **Nisshinbo**"). The investment was made through a private placement subscription of 3,322,479 common shares issued from treasury at a price per share of $1.5049.

On January 20, 2016, we announced that we had received a follow-on purchase order from Nisshinbo for a further phase of a Technology Solutions program related to the development of a breakthrough catalyst technology intended to reduce the cost of certain proton exchange membrane fuel cells. The program, now in its seventh phase, has been underway for approximately 2.5 years. This is a continuation of the Technology Solutions project work related to the development of the breakthrough catalyst technology announced in May 2015.

Light Rail Agreement with Tangshan Railway Vehicle Company, Limited

In November 2015, we signed a definitive agreement with Tangshan Railway Vehicle Company, Limited (" **TRC**"), a part of CRRC Corporation Limited, for development of a new fuel cell module that will be designed to meet the requirements of tram or Modern Ground Rail Transit Equipment applications. The value of this work to Ballard is approximately $3 million and represents the next step toward a commercial product, following the June 2015 signing and announcement of a framework agreement between Ballard and TRC.

Acquisition of Protonex Technology Corporation

On October 1, 2015, we completed the acquisition of Protonex. As consideration for the merger, Ballard assumed and paid certain of Protonex's debt obligations and transaction costs at closing, being approximately $3.8 million, and paid the balance of the consideration through the issuance of approximately 11.4 million Ballard shares from treasury.

Sale of ElectraGen® Hydrogen Modules to the Aditya Birla Group

On September 30, 2015, we announced receipt of a purchase order from Aditya Birla Group for fifty ElectraGen ®-H2 direct hydrogen modules that will be deployed in the Idea Cellular network in India, representing the culmination of the extensive testing and trialing undertaken by Idea Cellular of Ballard's ElectraGen® products since late-2013. All of the modules were shipped in 2015.

Agreements with CRRC Qingdao Sifang Company, Ltd.

On September 28, 2015, we signed a joint development agreement and a supply agreement to develop and commercialize a fuel cell engine specifically designed for integration into low floor trams manufactured by CRRC Qingdao Sifang Company, Ltd. ("**CRRC Sifang**"), a Chinese rolling stock manufacturer. The agreements include the expected delivery in 2016 of ten customized FCveloCity® modules. The joint development agreement and supply agreement have an initial value expected to be approximately $6 million. An initial deployment of eight fuel cell-powered trams is planned by CRRC Sifang and the City of Foshan on the Gaoming Line starting in 2017.

July 2015 Public Offering of Common Shares

On July 7, 2015, we closed an underwritten offering of 9,343,750 common shares for gross proceeds of approximately $15.0 million, which included the exercise in full by the underwriters of their option to purchase up to an additional 15% of common shares to cover over-allotments.

Nantong Zehe New Energy Technology Co., Ltd. and Guangdong Synergy Hydrogen Power Technology Co., Ltd. License and Supply Agreements

On May 26, 2015, we entered into license and supply agreements with Nantong Zehe New Energy Technology Co., Ltd. to provide fuel cell power products and technology solutions to support the planned deployment of an initial 33 fuel cell-powered buses in two Chinese cities. On September 25, 2015, Ballard signed long-term license and supply agreement with Guangdong Synergy Hydrogen Power Technology Co., Ltd., predecessor in title to Guangdong Nation-Synergy Hydrogen Power Technology Co., Ltd., to provide fuel cell Power Products and Technology Solutions in support of the planned deployment of approximately 300 fuel cell-powered buses in the cities of Foshan, China and Yunfu, China. The long-term license and supply agreement has an estimated initial value of $17 million expected through 2016, with the opportunity for significant recurring royalties starting in 2017.

Audi IP Asset Transfer

On February 11, 2015, we entered into an agreement with Audi 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 UTC"). These assets consist of approximately 900 patents and patent applications as well as know-how primarily related to proton exchange membrane fuel cell technology. On February 23, 2015 as consideration for the patents and patent applications, Ballard received $40 million from Audi, of which $10 million was paid to UTC as a royalty under the terms of our prior acquisition from UTC. As consideration for the transfer of the know-how, Ballard received $10 million from Audi in the first quarter of 2016, of which $900,000 was paid to UTC. In addition, we retain the sole right to use the knowhow, patents and patent applications 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 ("**Volkswagen**") extended its existing technology development agreement with us as described below.

Plug Long Term Sales Agreement

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 2018, with the potential for two 1-year extensions.

UTC IP Acquisition

On April 24, 2014, we acquired the transportation-related and stationary-related fuel cell intellectual property assets of UTC. As consideration for the patents and patent applications, as well as patent licenses, invention disclosures and know-how, UTC received 5,121,507 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.

2013 Public Offerings

In October 2013 and March 2013 we closed underwritten offerings in the United States of certain units, which consisted of a common share and either (a) 0.25 of a warrant to purchase one common share in the case of the October 2013 offering October 2013 Offering") and (b) one warrant to purchase one common share in the case of the March 2013 offering ("**March 2013 Offering**"). As of December 31, 2016, 1.675 million share purchase warrants from the October 2013 Offering and 122,563 share purchase warrants from the March 2013 Offering remain outstanding.



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 and power system development and commercialization.

Our principal business is the design, development, manufacture, sale and service of PEM fuel cell products for a variety of applications, focusing on our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling, and Backup Power, as well as the delivery of Technology Solutions, including engineering services, technology transfer 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's clean-energy fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand and modular design. 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 and know-how in key areas of fuel cell stack design, operation and system integration.

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.

Strategy

We are pursuing a corporate strategy and business model that mitigates risk by diversifying our business across a portfolio of market opportunities that are enabled by substantially the same core competencies, technology, products and intellectual property. Our business model includes two growth platforms, multiple markets within each of these platforms, geographic diversification and customer diversification.

We are also pursuing a strategy that provides us with the opportunity for near-term commercialization, revenue and profitability, while also enabling significant future value based on longer-term market opportunities for our technology, products and intellectual property, such as the global automotive fuel cell market.

Our two-pronged approach is to build shareholder value through the sale and service of power products and the delivery of technology solutions. In power product sales, our focus is on meeting the power needs of our customers by delivering high value, high reliability, high quality and innovative 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.

Starting in 2015, we increased our efforts on growing our business in China. China represents a potentially unique opportunity for clean energy solutions, given the convergence of macro trends that include:

- continued urbanization of China's population;
- continued infrastructure development and build-out of mass urban transportation;
- the large size and continued growth of the Chinese vehicle market;
- rapid adoption of electric vehicles in China;
- serious air quality challenges in a number of Chinese cities;
- a Chinese government mandate to address climate change; and
- strong national and local government commitment supporting the adoption and commercialization of fuel cells in transportation applications, including the implementation of supporting subsidy programs.

We have been pursuing a strategy that includes the development of a local fuel cell supply chain and related ecosystem to address the fast-growing clean energy bus and commercial vehicle markets in China. As part of our strategy, we are pursuing technology transfer and licensing opportunities with Chinese partners in order to localize the manufacture of Ballard-designed fuel cell modules and fuel cell stacks for heavy-duty motive applications in China, including bus, commercial vehicles and light-rail train applications. Key elements of our strategy include adopting a risk-adjusted and capital-light business model where we mitigate market adoption risk and capital investment by engaging in business partnerships with strong local companies that market our products and invest in manufacturing operations and supply chain localization. We typically seek to structure our arrangements in a way that provide us with the payment from our partners of significant value for technology transfer early in the transfer process, requirements for ongoing purchases by our partners of component supply by us, and the requirement of our partners to comply with certain performance conditions and reporting requirements, including quality, branding, intellectual property and minimum payments. We believe these typical deal structures provide for near-, mid- and long-term revenue and cash flow streams by building in program phases, technology transfer payments, license payments, required supply purchases, and recurring royalty structures. We also typically structure our commercial deals in China to restrict sales within China and to position Ballard as the exclusive purchaser of fuel cell modules or fuel cell stacks manufactured by our partners in China for sale outside of China. We believe this structure provides us with additional flexibility in satisfying global market demand for our modules and stacks by supplementing or mitigating our mid- and long-term manufacturing strategy.

We also structure our business model in China to protect our core intellectual property. For example, we do not provide technology transfer and licensing relating to the manufacture of our proprietary membrane electrode assemblies (“**MEAs**”), which is a key technology component in our fuel cell stacks. We currently plan to continue to manufacture our MEAs in our head office facilities in Burnaby, Canada. Also, we typically restrict technology transfer and licenses to current generation technology and products. We continue to make significant investment in next generation products and technology, including fuel cell modules and systems integration, stacks, and MEAs. We reserve flexibility on how we introduce these next generation products to the markets, including to China.

Revenues from Market Segments

During 2016, 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 PEM fuel cell products for our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions, including engineering services, technology transfer and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

As a result of the sale of certain of our methanol Backup Power assets to CHEM in the second quarter of 2016, we have renamed the former Telecom Backup Power market as the Backup Power market. The Backup Power market includes revenues associated with our direct hydrogen fuel cell backup power systems, methanol fuel cell backup power systems prior to the CHEM transaction, and fuel cell stacks sold for all backup power applications including those sold to CHEM.

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 2016 and 2015:

	2016	2015
Revenues from Fuel Cell Products and Services		
Percentage of total revenues	100%	100%
Portion representing sales to investees [1]	5.2%	Nil
Portion representing sales to customers other than investees	94.8%	100%

[1] In this table, "investees" means Guangdong Synergy Ballard Hydrogen Power Co. Ltd., a joint venture in China of which we hold a 10% equity interest.

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 four distinct product classes:

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

(2) **Fuel cell modules**: Ballard builds the fuel cell stacks into self-contained FCveloCity® motive modules that are plug-and-play into commercial vehicle powertrains. As a fuel cell module provider, we make it easier for OEMs and system integrators to create fuel cell powertrains.

(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.

(4) **Power management systems**: Ballard, through our Protonex subsidiary, builds power management devices for military customers that allow them to optimize their energy use.

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.

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, bus, and commercial vehicles	Sales to OEMs and system integrators
FCveloCity®-1020ACS	Material handling	Sales to OEMs and system integrators
FCveloCity® modules	Buses, commercial vehicles, and light rail	Sales to OEMs and system integrators

Stationary Power Product Family: FCgen® Fuel Cell Products and System Products		
Product Name	**Application**	**Status**
FCgen®-1020ACS	Backup power	Sales to OEMs and system integrators
FCgen®-H2PM	Backup power systems (Ballard Europe and Ballard)	Sales to customers

Portable Power Product Family: Power Management Products		
Product Name	**Application**	**Status**
SPM-622 (squad power manager)	Power management	Sales to customers
ABC (adaptive battery charger)	Portable battery charger	Sales to customers
VPM-402 (vest power manager)	Power management	Sales to customers

Fuel Cell Products and Services

Power Products Markets

Heavy Duty Motive

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

We design and manufacture the FCveloCity® fuel cell module platform, which in various forms is capable of delivering 30 kW to 200 kW of power for use in the Heavy Duty Motive market. We supply the fuel cell modules to hybrid drive, bus and light rail manufacturer customers that deliver zero-emission fuel cell-powered vehicles to transit operators around the world. The demand for zero-emission mass transit systems is driven in many jurisdictions by the requirement to reduce greenhouse gases and other harmful emissions that are impacting urban areas.

FCveloCity® power module platform cost reduction efforts have focused on unit cell design enhancements, including improved 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 launch in 2015 of our seventh generation motive module FCveloCity® platform, which reduced the total cost of the module by 25%. This new platform is available in various configurations ranging in power from 30 kW to 200 kW to address different levels of battery/fuel cell hybridization and a variety of applications. The FCveloCity®-MD series is optimized for smaller buses (less than 12 meters in length), the FCveloCity®-HD module is the workhorse of the standard-size (12-18 meter) fuel cell bus industry, and the FCveloCity®-XD series is aimed at light rail.

To date, Ballard-powered fuel cell buses have accumulated more than 10 million kilometres in service, with several fuel cell buses having passed the 20,000 operating hour threshold.

In 2015, Ballard FCveloCity® power modules were used to power the world's first fuel cell light rail system in Foshan, China opening up a new market for the FCveloCity® heavy duty power modules.

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, but are 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.

We believe that fuel cells are the best zero-emission alternative for transit applications. They offer much greater fuel efficiency than conventional diesel buses, reduce greenhouse gas and other harmful emissions and eliminate the need for unsightly overhead catenary wires. Fuel cell buses are the most flexible zero-emissions option. Unlike other electric solutions, fuel cell buses can be operated like diesel buses providing longer daily driving distances and faster refuelling.

Companies developing fuel cell systems for transit bus applications include Hydrogenics Corporation (" **Hydrogenics**"). 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 those of our competitors.

Portable Power Management Solutions

Protonex is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions. Protonex has developed several products designed for end-users in military and commercial markets that are currently underserved by batteries and small generators. Protonex is also developing products for OEM customers looking to integrate high-performance power systems into their products and applications.

Protonex has effectively commercialized and deployed several of its products, and has received development programs from U.S. military and U.S. government organizations, including the Air Force, the Army, the Navy, the Marines, DARPA (the Defense Advanced Research Projects Agency), the DOE (Department of Energy), and SOCOM (Special Operations Command).

Reduction in the number and type of batteries used in combat operations has been identified as an urgent need within the Office of Secretary of Defense. To address this need, Protonex developed man-wearable power management devices that allow the user access to a variety of available energy sources (e.g. vehicles, solar and batteries) to capitalize on their existing rechargeable batteries. The result is a significant reduction in number and types of batteries, reduced field logistics requirements, enhanced power reliability, cost savings, and up to 50% improvement in energy use with corresponding weight reductions.

Protonex has also developed portable fuel cells focused on low power applications for use in extended surveillance applications, including vehicle auxiliary power units (APUs), unmanned aerial (UAV), unmanned ground (UGV), and underwater (UUV) vehicle propulsion.

Competition

In the power manager arena, Protonex has a leadership position within the U.S. Department of Defense given our extensive history of development with various organizations. Within the Department of Defense our biggest competition is the status quo: operation without a power manager. As these devices are becoming more prevalent, more companies are developing similar products to compete. To date, several of these competitive products have gained traction in international markets (e.g. Smart Fuel Cell Power Manager).

In the arena of small fuel cell systems, our systems are typically displacing legacy battery or engine solutions that are underserving the customer's needs. Specifically in unmanned systems applications, our small fuel cell systems have been shown to extend mission duration over existing battery solutions by 200 – 700%. Typically, these fuel cell systems are developed in concert with the systems integrator. There are a number of companies that have developed competitive fuel cell systems, including Horizon Fuel Cell and Smart Fuel Cell. To date no company has developed a leadership position in this nascent market.

Material Handling

The material handling market includes industrial vehicles such as forklifts, automated guided vehicles (" **AGVs**") and ground support equipment. Our initial focus is on battery-powered Class 1 counter balance lift trucks, Class 2 reach trucks and Class 3 pallet forklifts and AGVs. Our products for the material handling market are the FCveloCity®-9SSL, which is applicable to Class 1, Class 2 and Class 3 forklift truck solutions, and the FCveloCity®-1020ACS stack, our second-generation air-cooled fuel cell product, for Class 3 material handling applications.

Our main 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 continues until 2018 with the potential for two 1-year extensions.

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 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 Nuvera, which was acquired by Hyster-Yale in 2014, and Hydrogenics. We seek to gain a competitive advantage through our engineering know-how and fuel cell designs that provide superior performance, efficiency, durability and cost. Plug Power is the only person currently offering a full suite of class 1, 2 and 3 forklift solutions to the material handling market. We currently sell and supply fuel cell stacks to Plug Power. Plug Power is currently developing its own air-cooled and liquid-cooled fuel cell stacks to vertically integrate into their material handling solutions. If Plug Power is successful at developing and commercializing its own fuel cell stacks, then these fuel cell stacks are expected to compete with our fuel cell stacks for supply in Plug Power's business.

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.

Backup Power

The backup power market includes stationary applications for telecommunications equipment and other critical data communications infrastructure. As we announced in 2016, we had been looking to execute on strategic alternatives for our methanol based backup power assets. In May 2016, we sold our methanol ElectraGen®-ME assets to CHEM for up to $6.1 million.

We continue to supply the backup power market through the sale and licensing of our hydrogen backup power product, the FCgen ®-H2PM. The FCgen®-H2PM is manufactured by Ballard Europe. In addition to manufacturing products for sale, we also look for opportunities to exploit our systems-based intellectual property and, in July 2016, entered into a licensing arrangement with Nation-Synergy for the FCgen®-H2PM.

We continue to provide fuel cell systems to back-up critical communication infrastructure following the sale of the methanol back-up product line to CHEM with a focus on fibre optics network backbones, critical hub sites and emergency communication networks (police, fire, ambulance and other emergency response services) in Europe with our FCgen®-H2PM product. Several Scandinavian countries have passed regulations to impose extended backup time (more than 12 hours) for critical infrastructure.

In our increasingly connected world, power outages are severely disruptive, heightening the need for reliable and cost-effective backup power solutions to ensure maximum network "uptime" to protect operators' revenues and ensure customer satisfaction. Fuel cell technology provides an alternative power solution with a compelling value proposition to ensure site power availability during unexpected power outages to harden critical telecommunication networks.

Ballard's FCgen®-H2PM fuel cell system has been designed to integrate easily with existing power equipment and can be installed at a low cost in many environments including dense urban areas and rooftop sites. Using the FCgen®-H2PM backup power solution, operators will harden their network while reducing operating costs.

Competition

The backup power market is currently dominated by diesel generators and batteries. Advanced battery technology continues to make modest progress in the backup 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. Fuel cell backup power offers a strong value proposition against diesel generators with lower operating cost; low emission and noise; and less risk of theft.

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

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 division is to help customers solve difficult technical and business challenges in their PEM fuel cell programs. We offer customized, bundled technology solutions, including world-class, specialized engineering services, access to our intellectual property portfolio and know-how, as well as the supply of test equipment and technology components.

Our current Technology Solutions efforts are predominantly in support of multiple automotive research and product development programs; however, in 2016 we also executed on contracts in bus, light rail, stationary, and military applications. We are also continuing to pursue new activities in a number of other emerging markets, including materials handling, unmanned vehicles and marine.

As noted in the Recent History section above, in 2016 the Volkswagen Group transferred responsibility for fuel cell development to its Audi luxury brand, and is also accelerating the timeline for series production. Audi issued purchase orders to Ballard to accelerate certain key development activities under the current long-term Technology Solutions program that Volkswagen Group has with Ballard. The current 6-year engineering services contract with the Volkswagen Group runs to March 2019, with an optional 2-year extension beyond that date. The contract has an estimated value of C$100-140 million (approximately $80-112 million at the time of the press release). The resulting HyMotion program encompasses automotive fuel cell stack development as well as system design support activities.

In addition to our work with Audi/Volkswagen, throughout 2016 we have also continued to execute engineering services projects for other automotive customers.

Also noted in the Recent History section, in 2016, we signed definitive agreements with Nation-Synergy for the establishment of an FCveloCity®-9SSL fuel cell stack production operation in the City of Yunfu, in Guangdong Province, China. Ballard will receive $18.4 million in Technology Solutions revenue for technology transfer services, production equipment specification and procurement services, training and commissioning support in relation to the establishment of a production line in Yunfu for the manufacture and assembly of FCveloCity®-9SSL fuel cell stacks, with most of this revenue expected to be recognized in 2017.

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 and Greenlight Innovation. 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, Europe, South Korea and the United States each exceed $100 million per year, with the worldwide total exceeding $1 billion per year. This funding has, and is expected to continue to, help drive demand for fuel cell products.

The Federal Transit Agency manages the Low or No Emission competitive program which provides funding to state and local governmental authorities for the purchase or lease of zero-emission and low-emission transit buses as well as acquisition, construction, and leasing of required supporting facilities. Under the FAST Act, $55 million per year is available until fiscal year 2020.

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 California state senate extended the program through 2019. The California Air and Resource Board ("**CARB**") Low Carbon Transportation and AQIP programs provide mobile source incentives to reduce greenhouse gas (GHG) emissions, criteria pollutants, and air toxics through the development of advanced technology and clean transportation. Low Carbon Transportation investments are supported by California Cap-and-Trade auction proceeds projects. AQIP, established by the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 is a voluntary incentive program administered by CARB to fund clean vehicle and equipment projects, research of biofuels production. Each year, the legislature appropriates funding to CARB for low carbon transportation and the air quality impacts of alternative fuels, and workforce training. On August 31, 2016, the California Legislature appropriated $363 million to CARB for Low Carbon Transportation projects and provided direction on how these funds will be used. Among the funded projects in 2016 were the Zero-Emission Truck and Bus Pilot Commercial Deployment Project which will fund the deployment of 25 fuel cell electric buses in California.

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. Calls for proposals under Horizon 2020 have occurred for 2014, 2015, and 2016, with 2017 calls for proposals open through April 2017. The Horizon 2020 budget for 2017 is €116 million. As part of the 2016 call for proposal, the Joint Initiative for hydrogen Vehicles across Europe – commonly known as the JIVE project – was officially launched on February 26, 2017. This collaborative initiative is set to deploy 144 fuel cell electric buses across Europe.

In China, the Ministry of Finance in April 2015 extended subsidies for new energy vehicles, which provide incentives for low emission vehicles, to 2020, with subsidies for battery electric vehicles being reduced by 20 percent by 2018 and by 40 percent by 2020, though the policy does not current provide for subsidy reductions for fuel cell vehicles. Subsidies will be granted to buyers of pure electric, highly electrified plug-in hybrid and fuel-cell vehicles, including both cars and buses.

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, 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.

Research and Product Development

Ballard’s research activities are primarily focused on the MEA and its subcomponents, 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 March 1, 2017, Ballard owns or controls through IP: 84 United States granted patents; 102 non-United States granted patents; 9 United States published patent applications; and 33 published non-United States patent applications. Our patents will expire between May 2017 and February 2036.

Protonex's intellectual property comprises approximately 41 United States granted patents, 23 non-US granted patents, 7 United States published patent applications and 21 published non-United States patent applications.

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 for bus and non-automotive applications as well as for certain limited pre-commercial purposes in automotive applications. In addition, these licences include non-exclusive, royalty-free access to all of the intellectual property rights held by NuCellSys GmbH, 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 Automotive Fuel Cell Cooperation Corp. ("**AFCC**")), including any intellectual property rights developed by them to January 31, 2013. As of March 1, 2017, of the approximately 2,000 patents and patent applications that were included in these licenses, approximately 430 of them are currently granted or pending.

Manufacturing

We currently produce our fuel cell products in four facilities – three in Burnaby, British Columbia, and one in Southborough, Massachusetts. Along with these facilities the Stack Joint Venture, of which Ballard is a 10% owner, is in the process of commissioning a high volume fuel cell stack assembly line in Yunfu, China. The Burnaby facilities are focused on our core fuel cell competencies, which include the production of MEAs, integration and testing of fuel cell stacks, assembly and testing of motive 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. Protonex develops, tests, and manufactures its portable power management products in Southborough, Massachusetts.

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.

Safety

Our products are designed and manufactured with the safety of our employees, customers, and end-users in mind. All equipment and processes that are introduced into our working environment are evaluated using a rigorous Preliminary Hazard Assessment procedure to ensure they are safe to use.

In 2016 we continued our commitment to demonstrating an industry leading culture of safety. We improved the consistency and timeliness of our incident investigation procedure, we enhanced the capabilities of our First Aid Incident Response Team, and in 2017 will be training with real time scenarios in the working areas of our facilities. In 2016 we also initiated an Ergonomics Program targeted at improving the working conditions of both our production work space along with our office areas. In December 2016 we completed the maintenance audit for the Occupational Safety Standard of Excellence (OSSE) certification and will leverage the results to continue improvements in our cross functional communications and improve our training system for the front line workers.

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, “At Ballard, Quality is intrinsic to our identity. Our team is empowered to do things right – the first time – to satisfy customer needs and deliver on our promise.”

Ballard maintains quality registration to ISO 9001 in our manufacturing facilities. 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 Six Sigma. We have trained over 70 people across the organization in Lean Six Sigma practices.

Facilities

We, or our wholly-owned subsidiaries, currently have the following principal facilities: (a) a leased 116,797 ft² (10,850 m²) facility in Burnaby, British Columbia that houses our corporate headquarters and our fuel cell development, manufacturing and testing activities; (b) a leased 112,000 ft² (10,405 m²) facility in Burnaby that houses some of our manufacturing facilities, as well as manufacturing facilities of Mercedes-Benz Canada Inc. and AFCC through subleases; (c) approximately 10,000 ft² (930 m²) of assembly space in Burnaby that is used to support motive module assembly; (d) a leased 4,100 ft² (381 m²) facility in Hobro, Denmark; (e) a leased 17,000 ft² (1580 m²) facility in Southborough, Massachusetts that houses all of Protonex's operations. The Stack Joint Venture's operations in Yunfu, China will occupy approximately 40,000 ft² of a purpose built 120,000 ft² facility dedicated to fuel cell stack and module assembly.

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, 2016, we had approximately 363 employees in Canada, 66 in the United States), and 36 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 March 1, 2017, our issued share capital consisted of 174,749,630 common shares. Our common shares are listed and trade on the Toronto Stock Exchange ("**TSX**") under the symbol "BLDP" and on the National Association of Securities Dealers Automated Quotation Global Market ("**NASDAQ**") under the symbol "BLDP". Prior to January 1, 2017 our common shares traded on the TSX under the symbol "BLD".

The following table shows the monthly trading activity for our common shares on the TSX and NASDAQ during 2016:

	TSX		NASDAQ	
	Price Range (C$)	**Average Daily Volume (#)**	**Price Range (US$)**	**Average Daily Volume (#)**
January	$1.73 – 2.13	91,069	$1.20 – 1.52	585,672
February	$1.77 – 1.91	66,493	$1.27 – 1.42	502,878
March	$1.76 – 2.04	87,977	$1.34 – 1.51	433,522
April	$1.71 – 2.01	100,856	$1.33 – 1.60	474,642
May	$1.74 – 1.90	87,605	$1.34 – 1.52	330,438
June	$1.61 – 1.89	77,170	$1.25 – 1.44	545,283
July	$1.62 – 2.67	603,619	$1.24 – 2.04	2,847,363
August	$2.33 – 2.76	416,833	$1.77 – 2.16	1,609,775
September	$2.52 – 2.88	281,055	$1.92 – 2.18	1,059,162
October	$2.63 – 3.28	396,247	$1.97 – 2.49	1,231,069
November	$2.58 – 2.68	168,348	$1.90 – 2.08	557,236
December	$2.22 – 2.51	144,918	$1.65 – 1.88	556,546

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

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

DIVIDEND RECORD AND POLICY

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

DIRECTORS AND OFFICERS

Board of Directors

The following chart provides the following information as of March 1, 2017: 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	26,824/0.015%	271,897/24.16%
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	5,000/0.003%	165,032/14.67%

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)
Duy-Loan Le Texas, USA	Corporate Director of Ballard. Senior Fellow at Texas Instruments Incorporated (*semiconductors*). National Association of Corporate Directors Board Leadership Fellow. Engineering advisory board at the University of Texas' Cockrell College of Engineering. Executive board for the University of Houston's Bauer College of Business.	2017	0/0%	0/0%
R. Randall MacEwen British Columbia, Canada	President, Chief Executive Officer and Corporate Director of Ballard since October 2014.	2014	59,562/0.034%	116,667/10.37%

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)
Marty T. Neese California, USA	Mr. Neese is Chief Operating Officer of Velodyne LiDAR, Inc. (autonomous vehicles). Previously, he was Chief Operating Officer of SunPower Corporation (*solar power equipment and services*) from 2008 to 2017. Prior to that, Mr. Neese was responsible for Global Operations at Flextronics (*electronics manufacturing services* from 2007 to 2008 following its acquisition of Solectron Corporation (electronics manufacturing services) where he was Executive Vice President from 2004 to 2007.	2015	0/0%	28,943/2.57%
James Roche Ontario, Canada	Corporate Director of Ballard. Founding member and executive at Newbridge Networks Corporation. President and currently the CEO of Stratford Managers Corporation." to "President and CEO of Stratford Managers Corporation (*management consulting services*). Formerly President and CEO of Tundra Semiconductor (*semiconductor component manufacturer*) from 1995-2006 and Founding member and executive at Newbridge Networks Corporation (*communications equipment manufacturer*) from 1986-1995.	2015	50,000/0.029%	36,174/3.21%

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)
Carol M. Stephenson Ontario, Canada	Corporate Director of Ballard. Formerly Dean of the Richard Ivey School of Business at the University of Western Ontario, a position she had held since 2003. Previously, served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003.	2012	3,550/0.002%	150,526/13.38%
Ian Sutcliffe Ontario, Canada	Corporate Director of Ballard. Partner at Sutcliffe & Associates Management Consultants *(management consulting services)* 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	10,000/0.006%	64,852/5.76%

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.

Senior Officers

As of March 1, 2017, we had six senior 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).
David Whyte British Columbia, Canada	Vice President, Operations	Senior officer of Ballard. Formerly Director, Operations of Ballard.
Kevin Colbow British Columbia, Canada	Vice President , Technology & Product Development	Senior officer of Ballard. Formerly Vice President, Technology Solutions of Ballard.
Karim Kassam British Columbia, Canada	Vice President, Commercial	Senior officer of Ballard. Formerly Vice President, Business and Corporate Development of Ballard.
Paul Osenar Massachusetts, USA	President, Protonex	Senior officer of Protonex.

Shareholdings of Directors and Senior Officers

As of March 1, 2017, our directors and senior officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 791,609 of our common shares, being 0.45% of our issued and outstanding common shares, and 934,228 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
Duy-Loan Le	Yes	Yes	Ms. Le was a Senior Fellow at Texas Instruments Incorporated (semiconductors). National Association of Corporate Directors Board Leadership Fellow. Engineering advisory board at the University of Texas' Cockrell College of Engineering. Executive board for the University of Houston's Bauer College of Business.
Marty T. Neese	Yes	Yes	Mr. Neese is Chief Operating Officer of Velodyne LiDAR, Inc. (autonomous vehicles). Previously, he was Chief Operating Officer of SunPower Corporation (solar power equipment and services) from 2008 to 2017. Prior to that, Mr. Neese was responsible for Global Operations at Flextronics (electronics manufacturing services) from 2007 to 2008 following its acquisition of Solectron Corporation (electronics manufacturing services) where he was Executive Vice President from 2004 to 2007.
James Roche	Yes	Yes	Mr. Roche is currently President and CEO of Stratford Managers Corporation, and was a founding member and executive at Newbridge Networks Corporation. He subsequently co-founded Tundra Semiconductor Corporation, and was President and CEO of the publicly-traded company before it was acquired by IDT in 2006. Mr. Roche has also served as President and CEO of CMC Microsystems and CANARIE Inc.
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.
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 LLP in 2016 and 2015 for audit and non-audit related work, all of which were approved by the Audit Committee:

Type of Audit Fees	**2016 (C$)**	**2015 (C$)**
Audit Fees	$448,000	$534,000
Audit-Related Fees	Nil	$7,500
Tax Fees	Nil	Nil
All Other Fees	$20,000	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

There were no fees paid to KPMG LLP that would be considered “Tax Fees” in 2016 or 2015.

All Other Fees

All other 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. “All Other Fees” for 2016 related to valuation advisory services.

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, our independent auditors, has audited our consolidated financial statements for the years ended December 31, 2016 and 2015. As at the date hereof, KPMG LLP has confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and the Public Company Accounting Oversight Board (United States).

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.

FCveloCity®-9SSL fuel cell stack production operation

On July 18, 2016 we entered definitive agreements in Foshan, China with Nation-Synergy for the establishment of an FCveloCity ®-9SSL fuel cell stack production operation in the City of Yunfu, in Guangdong Province. The fuel cell stacks will be packaged into locally-assembled fuel cell engines and integrated into zero-emission buses and commercial vehicles in China.

The transaction completed on October 25, 2016 and has a contemplated minimum value to Ballard of $168 million over 5-years and includes these key elements:

- Ballard will receive $18.4 million in Technology Solutions revenue for technology transfer services, production equipment specification and procurement services, training and commissioning support in relation to the establishment of a production line in Yunfu for the manufacture and assembly of FCveloCity®-9SSL fuel cell stacks, with most of this revenue expected to be recognized in 2017;

- On closing of the transaction, expected in late-2016, a joint venture will be created to undertake the stack manufacturing operations and will be owned 90% of Synergy and 10% by Ballard; and

- On commissioning of the operation, expected in 2017, Ballard will be the exclusive supplier of MEA for each fuel cell stack manufactured by the joint venture, with minimum annual MEA volume commitments on a “take or pay” basis totaling in excess of $150 million over the initial 5 - year term from 2017 to 2021.

Ballard filed the 9SSL Production Line Master Agreement and form of Equity Joint Venture Agreement on SEDAR on July 27, 2016 in conjunction with the filing of a Material Change Report in respect of the transaction. On November 4, 2016, we filed the final Equity Joint Venture Agreement and Sales and Marketing Agreement in conjunction with the filing of a Material Change Report in respect of the closing of the transaction.

Protonex Acquisition

On June 29, 2015, Ballard entered into an agreement and plan of merger with BPC Subco Inc. (“ **MergerCo**”), a wholly-owned subsidiary of Ballard, and Protonex (the “**Merger Agreement**”) under which MergerCo merged with Protonex. Pursuant to the Merger Agreement Ballard Power Corporation, a wholly-owned subsidiary of Ballard, became the sole stockholder of the post-merger corporation, also named Protonex Technology Corporation.

As consideration for the merger Ballard assumed and paid certain of Protonex's debt obligations and transaction costs at closing, which occurred October 1, 2015, being approximately $3.8 million, and paid the balance of the consideration through the issuance of approximately 11.4 million Ballard shares.

On June 29, 2015 Ballard filed the Merger Agreement on SEDAR in conjunction with the filing of a Material Change Report in respect of the transaction.

Audi IP Asset Transfer

On February 11, 2015, we entered into an agreement with Audi (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 $40 million from Audi, of which $10 million was paid to UTC as a royalty under the terms of our prior acquisition from UTC. As consideration for the know-how, Ballard will receive $10 million from Audi on transfer thereof, which is expected to occur in the first quarter of 2016, of which $900,000 will be paid to UTC.

In addition, we retain the sole right to use the patents, patent applications and know-how 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.

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 technology portfolio purchase agreement on SEDAR on May 2, 2014 in conjunction with the filing of a Material Change Report in respect of the transaction.

Technology Development Agreement with Volkswagen

On March 6, 2013, we entered into an agreement with Volkswagen (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 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.

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, 2016. 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 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 Heavy-Duty Motive market, we depend on Chinese customers for a majority of our revenues. Macro-economic conditions, including government subsidy programs and significant and recent volatility in China's capital markets, may adversely impact our Chinese customers' access to capital and program plans which could adversely impact our business.

We sell most of our products in the Heavy-Duty Motive market to a small number of Chinese customers, and while we are continually seeking to expand our customer base, we expect this will continue for the next several years. Any significant economic slowdown in China or change in Chinese government policy around subsidies for zero-emission vehicles 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 these customers. Any fluctuations in demand from these 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 in other geographic markets, our business in the Heavy-Duty Motive market will continue to be impacted by unanticipated demand fluctuations due to our dependence on these customers. 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 small number of customer in this market exposes us to numerous other risks, including: (i) a slowdown or delay in the customers' 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 few customers' forecasts and demand could result in excess inventories; (iii) the current or future economic conditions could negatively affect our major customers 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 one of our major customer declared bankruptcy or delayed payment of their receivables; and (v) changes in government support for clean energy vehicles could have adversely affect the end-user cost of vehicles incorporating our heavy-duty motive products.

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

We provide most of our services in the Technology Solutions market to a single customer, Volkswagen, 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 Portable Power market, defense spending volatility could have an adverse impact on our business.

Defense spending in the U.S. has been volatile but with potential upsides in the areas of innovation, modernization and increased efficiency. Budget volatility could have negative consequences for Protonex, both with respect to timing and volume of development programs with defense partners and with respect to product orders.

In our Portable Power market, defense acquisition process changes could have an adverse impact on our business.

The U.S. Department of Defense at times modifies its procurement processes, cycles, and regulations. There can be no assurance that the government will not change its processes, regulations, and policies in a manner that will adversely affect Protonex's ability to sell products and services to the Department of Defense, which in turn would harm Protonex's business operations.

In our Material Handling market, we depend on a single customer for the majority of our revenues and are subject to risks from that customer's internal fuel cell stack development and commercialization plans.

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. Plug Power is currently developing its own fuel cell stacks to integrate into their material handling products. If Plug Power is successful at developing and commercializing its own fuel cell stacks, then these fuel cell stacks may compete directly with our fuel cell stacks. 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.

In our Heavy-Duty Motive market a significant amount of operations are conducted by a joint venture that we cannot operate solely for our benefit.

Stack manufacturing in the Heavy-Duty Motive market in China will be carried out by our joint venture. We share ownership and management of the joint venture company with one or more parties who may not have the same goals, strategies, priorities or resources as we do and may compete with us outside the joint venture. Joint ventures are intended to be operated for the equal benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. If a co-owner changes or relationships deteriorate, our success in the joint venture may be materially adversely affected. In addition, because we have a minority share ownership, we may have limited control over the actions of a joint venture. As a result, we may be unable to prevent misconduct or other violations of applicable laws by the joint venture. To the extent another party makes decisions that negatively impact the joint venture or internal control issues arise within the joint venture, we may have to take responsive or other action or we may be subject to penalties, fines or other related actions for these activities.

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.

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 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 sell most of our products in the Heavy Duty Motive market in China and to relatively small System Integrator customers with limited experience developing fuel cell system products on a commercial basis. We do not know know whether these customers will be able to successfully develop, manufacture or market products to their customers. In addition, our dependence on such customers in this market increases the risks of difficulties in integration, design, manufacturing or marketing of their products; and that current or future macro-economic conditions in China could negatively affect them and cause them to significantly reduce operations, or file for bankruptcy.

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 internal combustion engines 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.

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 from which to make our warranty accrual estimates.

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-today 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.

The post-acquisition risk factors highlighted under the heading "Risk Factors" in the prospectus supplement dated July 1, 2015 to the Short Form Base Shelf Prospectus dated May 21, 2014 continue to apply to the integration of Protonex.

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.

We depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our expected 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: (i) 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 (ii) 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 may experience cybersecurity threats to our information technology infrastructure and systems, and unauthorized attempts to gain access to our proprietary or confidential information, as may our customers, suppliers, subcontractors and joint venture partners.

We depend on information technology infrastructure and systems (IT systems), hosted internally or outsourced, to process, transmit and store electronic data and financial information (including proprietary or confidential information), and manage business operations. Our business requires the appropriate and secure utilization of sensitive, confidential or personal data or information belonging to our employees, customers and partners. In addition, Ballard proprietary or confidential information may be stored on IT systems of our suppliers, customers and partners. Increased global cybersecurity vulnerabilities, threats and more sophisticated and targets cyber-related attacks pose a risk to the security of Ballard's and its customers', partners', suppliers' and third-party service providers' IT systems and the confidentiality, availability and integrity of Ballard's and its customers' and partners' data or information. While we have made investments seeking to address these threats, including monitoring of networks and systems, hiring of experts, employee training and security policies for employees, we may face difficulties in anticipating and implementing adequate preventative measures and remain potentially vulnerable. We must rely on our own safeguards as well as the safeguards put in place by our suppliers, customers and partners to mitigate the threats. Our internal systems are audited for cybersecurity vulnerabilities by third party security firms to ensure we are prepared for new and emerging threats. Our suppliers, customers and partners have varying levels of cybersecurity expertise and safeguards, most have yearly compliance audits that are available upon request.

An IT system failure or non-availability, cyber-attack or breach of systems security could disrupt our operations, cause the loss of, corruption of, or unauthorized access to sensitive, confidential or personal data or information or expose us to regulatory investigation, litigation or contractual penalties. Our customers, partners or governmental authorities may question the adequacy of cybersecurity processes and procedures and this could have a negative impact on existing business or future opportunities. Furthermore, given the highly evolving nature of cybersecurity threats or disruptions and their increased frequency, the impact of any future incident cannot be easily predicted or mitigated, and the costs related to such threats or disruptions may not be fully insured or indemnified by other means.

Global macro-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, including volatility in China, 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.

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 have driven interest in fuel cells. We cannot guarantee that these laws and policies including subsidies or incentives associated with the adoption of clean energy products, 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, 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.

Government budgetary constraints could reduce the demand for our products by restricting the funding available to public transportation agencies and militaries. We cannot guarantee that current government direct and indirect financial support for our products will continue.

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.

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 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 in excess of any corresponding increase in revenues and gross margins. 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. 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 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, 2016, each interim financial statement issued after December 31, 2016, 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

The Board has established an Audit Committee (the “Committee”) to assist the Board in fulfilling its oversight responsibilities regarding the integrity of the Corporation’s accounting and financial reporting, the Corporation’s systems of internal controls over financial reporting, the independence and performance of the Corporation’s external and internal auditors, the identification and management of the Corporation’s risks, the Corporation’s Whistleblower Reporting processes, the Corporation’s financial policies and the review and approval of related party transactions, as further described below.

In this Mandate, the “Corporation” means Ballard Power Systems Inc. and a “director” means a Board member. “CGCC” means the Corporation’s Corporate Governance & Compensation Committee.

Composition and Eligibility

A) The Committee will have a minimum of three members, including the chair of the Committee. Following each annual meeting of shareholders of the Corporation the Board, upon the recommendation of the Corporate Governance & Compensation Committee, will appoint the members of the Committee, including the Committee chair. 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.

B) Each member of the Committee will be an independent director as set out in applicable securities laws, rules and regulations, and standards of the stock exchanges on which the Corporation’s securities are listed.

C) All members of the Committee will be financially literate, as defined in accordance with applicable securities laws, rules and regulations, and standards of the stock exchanges on which the Corporation’s securities are listed.

D) At least one member of the Committee must be an audit committee "financial expert" as defined by applicable applicable securities laws, rules and regulations.

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 & Quorum

A) The Committee will meet at least quarterly and otherwise as necessary. Any member of the Committee may request additional meetings.

B) The CEO, CFO, Controller and internal auditor shall have direct access to the Committee. The CEO, CFO, Controller, internal and external auditors will receive notice of every meeting of the Committee and may request a meeting of the Committee be called by notifying the chair of the Committee.

C) A majority of Committee members constitute a quorum necessary for the transaction of business at Committee meetings. A quorum once established is maintained even if members of the Committee leave the meeting prior to conclusion.

D) All directors of the Company, including management directors, may attend meetings of the Committee provided, however, that no director is entitled to vote at such meetings and is not counted as part of the quorum for the Committee if he or she is not a member of the Committee.

E) As part of every regularly-scheduled meeting, the Committee will hold in-camera sessions with: (1) the external auditors and the internal auditors; (2) with the external auditors only; and (3) of the Committee itself, without management or management directors present. The Committee may also hold other in-camera sessions with such members of management present as the Committee deems appropriate.

F) The Corporate Secretary or his or her nominee will act as Secretary to the Committee.

G) The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee's meetings, regardless of whether the director is a member of the Committee.

Duties and Responsibilities

A) Financial Reporting Control Systems

The Committee is responsible for monitoring the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditors and the internal auditors.

In discharging this responsibility, the Committee will review:

(i) with management and the external auditors, the Company's significant accounting policies, including the impact of alternative accounting policies, and any proposed changes thereto; and key management estimates, risks and judgments that could materially affect the financial results;

(ii) emerging accounting issues and their potential impact on the Company's financial reporting;

(iii) with management any significant changes in financial risks facing the Corporation;

(iv) management's report assessing the adequacy and effectiveness of the Corporation's disclosure controls and procedures and systems of internal control; and

(v) the evaluation by either the internal or external auditors of management's internal control systems, and management's responses to any identified deficiencies or weaknesses.

Prior to public disclosure, the Committee will review and approve (where authority has been delegated by Board to the Committee) or recommend to the Board for approval:

(i) the audited annual consolidated financial statements and unaudited interim condensed consolidated financial statements of the Corporation;

(ii) the interim and annual management's discussion and analysis of financial condition and results of operations (MD&A) of the Corporation; and

(iii) all other material financial public disclosure documents of the Company and those of its subsidiaries that are reporting issuers, including prospectuses, material press releases with financial results, the Annual Information Form and management information circular.

B) External Auditors

The external auditors will report directly to the Committee and the Committee will:

(i) recommend to the Board and the Corporation's shareholders the appointment of external auditors; determine their compensation; and monitor and evaluate their qualifications, resources, performance and independence;

(ii) oversee the work of the external auditors and review and approve the annual audit plan of the external auditors, including the scope of the audit to be performed, and performance against the audit plan;

(iii) pre-approve all audit, audit-related and non-audit services to be provided to the Corporation or any of its subsidiaries, by the external auditors (and its affiliates), in accordance with applicable securities laws, rules and regulations;

(iv) discuss with the external auditors the quality and acceptability of the Corporation's accounting policies, including:

a) all critical accounting policies and practices;

b) all alternative treatments of financial information 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;

(v) review reports of the external auditors;

(vi) review the quarterly and annual representation letters given by management to the external auditors;

(vii) at least annually, obtain and review a report by the external auditors describing:

a) the firm's internal quality-control procedures;

b) any material issues raised by the most recent internal quality control review, or peer review of the firm, or by any inquiry or investigation by governmental, regulatory or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and

c) all relationships between the external auditors and the Company.

(viii) annually assess and confirm the independence of the external auditors and require the external auditors to deliver an annual report to the Committee regarding its independence, and hold discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;

(ix) ensure that the audit partners representing the external auditors meet the rotation requirements set out by applicable securities laws, rules and regulations, and standards of the stock exchanges on which the Corporation’s securities are listed; and

(x) review and approve hiring policies regarding partners, employees and former partners and employees of current and former external auditors in accordance with applicable securities laws, rules and regulations and the Corporation’s policies.

C) Monitoring Internal Auditors

The internal auditors will report quarterly to the Committee on the results of internal audit activities and will also have direct access to the chair of the Committee when the internal auditors determine it is necessary. The Committee will:

(i) annually approve the appointment of the internal auditor (or persons responsible for the function);

(ii) review the scope of responsibilities and effectiveness of the internal audit team, its reporting relationships, activities, organizational structure and resources, its independence from management and its working relationship with the external auditors;

(iii) oversee the work of the internal auditors including reviewing and approving the annual internal audit plan and updates thereto; and

(iv) review the reports of the internal auditors on the status of significant internal audit findings, recommendations and management's responses and review any other reports of the internal auditors.

D) Financial Management

The Committee will at least annually:

(i) review with management and approve, or make recommendations to the Board to approve, the Corporation's capital structure strategy; financial policies and investment policies, including debt and equity components; current and expected financial leverage, interest rate and foreign exchange exposures; taking in consideration current and future business needs (including the Annual Operating Plan), capital markets and the Corporation's credit rating; and

(ii) review compliance with financial policies.

E) Risk Management and Internal Controls

The Committee will:

(i) at least annually, review the Corporation's risk assessment and risk management policies, including the Corporation's insurance coverage, and management's compliance with them;

(ii) review with management, the external auditors and legal counsel, as necessary, any litigation, claim or other contingency, including any tax assessment, that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee;

(iii) review and recommend to the Board for approval of the Corporation's delegation of financial authority;

(iv) while ensuring confidentiality and anonymity, ensure management has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters or breaches of the Corporation's ethics policies ("Whistleblower Reporting");

(v) review quarterly reports on any Whistleblower Reporting complaints received by the Corporation;

(vi) at least annually, review management's compliance with the Corporation's ethics and Whistleblower Reporting policies;

(vii) at least annually, review the Corporation's ethics and Whistleblower Reporting policies, and recommend changes to the Board for approval;

(viii) review management's approach for safeguarding corporate assets, data and information systems, the adequacy of staffing of key financial functions (including succession plans for the Corporation's CFO and Controller) and their plans for improvements;

(ix) review the appointment of the financial senior executives of the Corporation, prior to recommendation by the CGCC to the Board;

(x) assist the Board with the oversight of the Corporation's compliance with applicable legal and regulatory requirements; and

(xi) review other risk management matters from time to time as the Committee may consider suitable or the Board may specifically direct.

F) Related Party Transactions

A related party transaction is defined as a transaction or a series of transactions in which the Corporation or any of its subsidiaries is to be a party, which involves an amount exceeding U.S. $60,000 in aggregate and in which any of the following persons have a direct or indirect material interest:

- a director or executive officer of the Corporation;
- any nominee for election as a director of the Corporation;
- 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
- 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:

(i) receive details of all related party transactions proposed by the Corporation, and actual and potential conflicts of interest relating thereto, to verify their propriety and that disclosure is appropriate;

(ii) if a valuation or fairness opinion is required by any applicable statutes or regulations, supervise the preparation of such valuation or fairness opinion; and

(iii) if approval of the Board of directors is necessary, provide a recommendation to the Board of directors with respect to the related party transaction.

G) Other

The Committee will:

(i) annually review the audit of the expense reports of the Chair of the Board of Directors and the CEO;

(ii) review the minutes of the Corporation's Disclosure Committee; and

(iii) evaluate, at least annually, the adequacy of this Mandate and the Committee's performance, and report its evaluation and any recommendations for change to the Board.

Authority

A) 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.

B) 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.

C) The Committee may form and delegate authority to Committee members or subcommittees.

D) Nothing contained in the above mandate is intended to assign to the Audit Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.

AUDIT COMMITTEE TIMETABLE

The timetable below generally outlines the Committee's anticipated schedule of activities during the year.

Audit 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 and external auditors the Company's significant accounting policies; and key management estimates, risks and judgments.		✓			✓			✓			✓	
(ii) Review with management emerging accounting issues and their potential impact on the Company's financial reporting.		✓			✓			✓			✓	
(iii) Review with management any significant changes in financial risks facing the Corporation.		✓			✓			✓			✓	
(iv) Review management's report assessing the adequacy and effectiveness of the Corporation's disclosure controls and procedures and systems of internal control.		✓			✓			✓			✓	
(v) Review the evaluation by internal or external auditors of management's internal control systems, and management's responses to any identified deficiencies or weaknesses.		✓			✓			✓			✓	
(vi) Review and approve/recommend approval of (a) financial statements of the Corporation; (b) MD&A of the Corporation; and (c) Other material financial public disclosure documents, including the AIF and management proxy circular.		✓			✓			✓			✓	

Audit Committee Timetable													
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
B) External Auditors												
(i) Recommend to the Board and the Corporation's shareholders the appointment of external auditors; determine their compensation; and monitor and evaluate their qualifications, resources, performance and independence.					✓							✓
(ii) Oversee the work of the external auditors; review and approve the annual audit plan; and performance against the audit plan.		✓			✓			✓			✓	
(iii) Pre-approve all audit, audit-related and non-audit services to be provided to the Corporation or any of its subsidiaries, by the external auditors.		✓			✓			✓			✓	
(iv) Discuss with the external auditors the quality and acceptability of the Corporation's accounting policies.		✓			✓			✓			✓	
(v) Review reports of the external auditors.		✓			✓			✓			✓	
(vi) Review the quarterly and annual representation letters given by management to the external auditors.		✓			✓			✓			✓	
(vii) Obtain and review a report by the external auditors describing the firm's internal quality-control procedures; any material issues respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and all relationships between the external auditors and the Corporation.		✓										
(viii) Annually assess and confirm the independence of the external auditors.		✓										
(ix) Ensure that the audit partners meet applicable rotation requirements.		✓										
(x) Review and approve hiring policies regarding partners, employees and former partners and employees of current and former external auditors.		✓										

Audit Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
C) Monitoring Internal Auditors												
(i) Approve the appointment of the internal auditor (or persons responsible for the function).					✓							
(ii) Review the scope of responsibilities and effectiveness of the internal audit team, its reporting relationships, activities, organizational structure and resources, its independence from management and its working relationship with the external auditors.					✓							
(iii) Oversee the work of the internal auditors including reviewing and approving the annual internal audit plan and updates thereto.		✓			✓			✓			✓	
(iv) Review the reports of the internal auditors on the status of significant internal audit findings, recommendations and management's responses and review any other reports of the internal auditors.		✓			✓			✓			✓	
D) Financial Management												
(i) Review with management and approve/recommend approval of the Corporation's capital structure strategy; financial policies and investment policies; current and expected financial leverage; taking in consideration current and future business needs, capital markets and the Corporation's credit rating.		✓			✓			✓			✓	
(ii) Review compliance with financial policies.		✓			✓			✓			✓	
E) Risk Management and Internal Controls												
(i) Review the Corporation's risk assessment and risk management policies, including the Corporation's insurance coverage, and management's compliance with them.												✓

Audit Committee Timetable													
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(ii) Review with management, the external auditors and legal counsel, as necessary, any litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of disclosure related thereto in documents reviewed by the Committee.		✓			✓			✓			✓	
(iii) Review and recommend to the Board for approval of the Corporation's delegation of financial authority.												✓
(iv) Ensure management has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, or breaches of the Corporation's ethics policies ("Whistleblower Reporting").		✓			✓			✓			✓	
(v) Review quarterly reports on any Whistleblower Reporting complaints received by the Corporation.		✓			✓			✓			✓	
(vi) Review management's compliance with the Corporation's ethics and Whistleblower Reporting policies.		✓			✓			✓			✓	
(vii) Review the Corporation's ethics and Whistleblower Reporting policies, and recommend changes to the Board for approval.												✓
(viii) Review management's approach for safeguarding corporate assets, data and information systems; and the adequacy of staffing of key financial functions (including succession plans for the Corporation's CFO and Controller).												✓
(ix) Review the appointment of the financial senior executives of the Corporation, prior to recommendation by the CGCC to the Board.		✓			✓			✓			✓	

Audit Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
F) Related Party Transactions												
(i) Receive details of all related party transactions proposed by the Corporation, and actual and potential conflicts of interest relating thereto, to verify their propriety and that disclosure is appropriate.		✓			✓			✓			✓	
(ii) If a valuation or fairness opinion is required by any applicable statutes or regulations, supervise the preparation of such valuation or fairness opinion.		✓			✓			✓			✓	
(iii) if approval of the Board of directors is necessary, provide a recommendation to the Board of directors with respect to the related party transaction.		✓			✓			✓			✓	
G) Other												
(i) Review the audit of the expense reports of the Chair of the Board of Directors and the CEO.					✓							
(ii) Review the minutes of the Corporation's Disclosure Committee.		✓			✓			✓			✓	
(iii) Evaluate the adequacy of this Mandate.												✓
(iv) Review annual evaluation of the Committee's performance.		✓										

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: March 3, 2017

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: March 3, 2017

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.

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 British Columbia (the "Company"), for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 3, 2017

/s/ R. Randall MacEwen

R. Randall MacEwen
President and Chief Executive Officer (principal executive officer)

Dated: March 3, 2017

/s/ Tony Guglielmin

Tony Guglielmin
Vice President and Chief Financial Officer (principal financial officer)

KPMG LLP
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Canada

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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 March 1, 2017, 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. 333-211780 on Form F-10/A of Ballard Power Systems Inc.

KPMG LLP

Chartered Professional Accountants

March 1, 2017
Vancouver, Canada

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