United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 40-F

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

OR

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

For the fiscal year ended December 31, 2008 **Commission File Number: 000-53543**

Ballard Power Systems Inc.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name in English (if applicable))

CANADA

(Province or other jurisdiction of incorporation or organization)

3620

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

Not applicable

(I.R.S. Employer Identification Number (if applicable))

9000 Glenlyon Parkway
Burnaby, British Columbia V5J 5J8
(604) 454-0900

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 8th Avenue
New York, New York 10011
(212) 894-8940

(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

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

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

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

Not Applicable

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

Not Applicable

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

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

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

82,122,135 Common Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes **X** No **O**

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

PRINCIPAL DOCUMENTS

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

- the Company's Annual Information Form for the year ended December 31, 2008;
- the Company's Audited Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006; and
- the Company's Management Discussion and Analysis for the year ended December 31, 2008.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

AUDIT COMMITTEE AND AUDIT COMMITTEE FINANCIAL EXPERT

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

CODE OF ETHICS

The required disclosure is included in the Annual Information Form, under the heading "Corporate Governance – Roles and Responsibilities," which is incorporated herein by reference to Exhibit 99.3.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

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

NASDAQ CORPORATE GOVERNANCE

Pursuant to Rule 4350(a)(1) of the Nasdaq Stock Market, Inc. Marketplace Rules, the Registrant relies on an exemption from Rule 4350(f) of the Marketplace Rules, requiring that each Nasdaq-quoted company have in place a minimum quorum requirement for shareholder meetings of 33 1/3% of the outstanding shares of the company's voting common stock. The Company's by-laws currently provide that a quorum is met if holders of at least 5% of the votes eligible to be cast at a meeting are present or represented by proxy at a shareholder meeting. At the Company's 2008 Annual General Meeting of Shareholders, holders of 44.76% of the common shares were present or represented by proxy at the meeting.

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

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

SIGNATURES

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

Registrant: **Ballard Power Systems Inc.**

By (Signature and Title) /s/ Glenn Kumoi
Glenn Kumoi
Vice President, Human Resources & Chief Legal Officer

Date: March 20, 2009

EXHIBIT LIST

Exhibit	Description
99.1	Ballard Power Systems Inc. Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006.
99.2	Ballard Power Systems Inc. Management's Discussion and Analysis for the year ended December 31, 2008.
99.3	Annual Information Form for Ballard Power Systems Inc., dated as of March 10 , 2009.
99.4	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.6	Consent of KPMG LLP

EXHIBIT 99.1

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

BALLARD POWER SYSTEMS INC.

Years ended December 31, 2008, 2007 and 2006

MANAGEMENT'S REPORT

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

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with GAAP. Internal control over financial reporting may not prevent or detect fraud or misstatements because of limitations inherent in any system of internal control. Management has assessed the effectiveness of the Corporation's internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2008. In addition, management maintains disclosure controls and procedures to provide reasonable assurance that material information is communicated to management and appropriately disclosed. Some of the assets and liabilities include amounts, which are based on estimates and judgments, as their final determination is dependent on future events.

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

The external auditors, KPMG LLP, have audited the financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of the internal controls over financial reporting as of December 31, 2008. The external auditors have full access to management and the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

"JOHN SHERIDAN"	"JAY MURRAY"
JOHN SHERIDAN	JAY MURRAY
President and	Corporate Controller and
Chief Executive Officer	Acting Chief Financial Officer
March 2, 2009	March 2, 2009

AUDITORS' REPORT

To the Shareholders of Ballard Power Systems Inc.

We have audited the consolidated balance sheets of Ballard Power Systems Inc. (the "Corporation") as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. With respect to the consolidated financial statements for the years ended December 31, 2008 and 2007, we also 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 an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2009 expressed an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

"KPMG LLP"

Chartered Accountants

Vancouver, Canada
March 2, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Ballard Power Systems Inc. (the "Corporation")'s internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation'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 presented in the section entitled "Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting" under the heading "Internal control over financial reporting" included in Management Discussion and Analysis. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated March 2, 2009 expressed an unqualified opinion on those consolidated financial statements.

"KPMG LLP"

Chartered Accountants

Vancouver, Canada
March 2, 2009

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

		2008		2007
Assets				
Current assets:				
Cash and cash equivalents	**$**	**54,086**	$	49,340
Short-term investments		**31,313**		96,234
Accounts receivable (notes 5 & 16)		**18,856**		18,963
Inventories (note 6)		**10,402**		14,859
Prepaid expenses and other current assets		**1,434**		1,740
Current assets held for sale (note 3)		**—**		105
		116,091		181,241
Property, plant and equipment (note 7)		**38,755**		42,906
Intangible assets (note 8)		**3,726**		4,303
Goodwill		**48,106**		48,106
Investments (note 9)		**1,765**		3,250
Long-term assets held for sale (note 3)		**—**		16,286
Other long-term assets		**—**		2,599
	$	**208,443**	$	298,691
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (notes 10 & 16)	**$**	**21,819**	$	20,042
Deferred revenue		**947**		169
Accrued warranty liabilities		**3,841**		752
Current liabilities held for sale (note 3)		**—**		1,933
		26,607		22,896
Long-term liabilities (notes 11 & 12)		**20,502**		17,606
		47,109		40,502
Shareholders' equity:				
Share capital (note 13)		**832,711**		1,174,821
Contributed surplus (notes 2, 13(b), (d) & (e))		**283,466**		72,290
Accumulated deficit		**(954,607)**		(988,686)
Accumulated other comprehensive loss		**(236)**		(236)
		161,334		258,189
	$	**208,443**	$	298,691

See accompanying notes to consolidated financial statements.
Commitments, guarantees and contingencies (note 14)

Approved on behalf of the Board:

“Ed Kilroy”	“Ian Bourne”
Director	Director

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

	2008	2007	2006
Revenues:			
Product and service revenues	**$ 52,726**	$ 43,352	$ 36,535
Engineering development revenue	**6,854**	22,180	13,288
Total revenues	**59,580**	65,532	49,823
Cost of revenues and expenses:			
Cost of product and service revenues	**47,401**	25,052	21,206
Research and product development	**37,172**	58,478	52,274
General and administrative	**12,615**	19,068	13,262
Marketing and business development	**7,461**	8,981	7,226
Depreciation and amortization	**6,034**	15,732	16,391
Total cost of revenues and expenses	**110,683**	127,311	110,359
Loss before undernoted	**(51,103)**	(61,779)	(60,536)
Investment and other income (loss) (note 19)	**(186)**	16,933	9,932
Gain on sale of assets (note 3)	**96,845**	—	—
Loss on disposal and write-down of long-lived assets (note 9)	**(2,812)**	(4,583)	(778)
Equity in loss of associated companies	(**8,649)**	(7,433)	(7,029)
Income (loss) before income taxes	**34,095**	(56,862)	(58,411)
Income taxes (recovery) (note 15)	**16**	(53)	(1,417)
Income (loss) from continuing operations	**34,079**	(56,809)	(56,994)
Loss from discontinued operations (note 4)	**—**	(493)	(124,143)
Net income (loss) and comprehensive income (loss)	**34,079**	(57,302)	(181,137)
Basic earnings (loss) per share from continuing operations	**$ 0.40**	$ (0.50)	$ (0.50)
Basic loss per share from discontinued operations	**0.00**	(0.00)	(1.10)
Basic earnings (loss) per share	**$ 0.40**	$ (0.50)	$ (1.60)
Diluted earnings (loss) per share	**$ 0.40**	$ (0.50)	$ (1.60)
Weighted average number of common shares outstanding - basic	**84,922,364**	114,575,473	113,390,728
Impact of dilutive options	**840,843**	—	—
Weighted average number of common shares outstanding - diluted	**85,763,207**	114,575,473	113,390,728

See accompanying notes to consolidated financial statements.

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

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2005	112,750,115	$ 1,161,281	$ 62,017	$ (750,247)	$ (236)	$ 472,815
Net loss	—	—	—	(181,137)	—	(181,137)
Issuance of common shares for cash (net of issue costs)	1,022,549	5,909	—	—	—	5,909
Options exercised	5,249	34	—	—	—	34
Share distribution plan	434,664	2,554	4,918	—	—	7,472
Balance, December 31, 2006	114,212,577	1,169,778	66,935	(931,384)	(236)	305,093
Net loss	—	—	—	(57,302)	—	(57,302)
Share distribution plan	886,565	5,043	5,355	—	—	10,398
Balance, December 31, 2007	115,099,142	$ 1,174,821	$ 72,290	$ (988,686)	$ (236)	$ 258,189
Net income	—	—	—	**34,079**	—	**34,079**
Non-dilutive financing (note 2)	—	—	**33,812**	—	—	**33,812**
Cancellation of common shares upon disposition of assets held for sale (note 3)	**(34,261,300)**	**(349,438)**	**175,538**	—	—	**(173,900)**
RSUs and DSUs redeemed	**321,576**	**2,557**	**(2,557)**	—	—	—
Share distribution plan	**962,717**	**4,771**	**4,383**	—	—	**9,154**
Balance, December 31, 2008	**82,122,135**	**$ 832,711**	**$ 283,466**	**$ (954,607)**	**$ (236)**	**$ 161,334**

See accompanying notes to consolidated financial statements.

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

	2008	2007	2006
Cash provided by (used for):			
Operating activities:			
Net income (loss) for the year	**$ 34,079**	$ (57,302)	$(181,137)
Items not affecting cash:			
Compensatory shares	**7,267**	12,093	7,983
Depreciation and amortization	**8,021**	18,080	23,131
Gain on sale of assets (note 3)	**(96,845)**	—	—
Unrealized loss on forward contracts	**408**	—	—
Loss on disposal and write-down of long-lived assets from continuing operations	**2,812**	4,583	778
Loss (gain) on disposal and write-down of long-lived assets from discontinued operations (note 4)	**—**	(2,897)	112,124
Equity in loss of associated companies	**8,649**	7,433	7,029
Other	**490**	—	(247)
	(35,119)	(18,010)	(30,339)
Changes in non-cash working capital:			
Accounts receivable	**107**	(4,052)	(1,630)
Inventories	**4,457**	(196)	(2,337)
Prepaid expenses and other current assets	**510**	(456)	(100)
Accounts payable and accrued liabilities	**5**	(1,657)	(3,041)
Deferred revenue	**778**	(1,645)	1,358
Accrued warranty liabilities	**3,089**	(1,214)	(3,680)
Net current assets and liabilities held for sale (notes 3 & 4)	**(36)**	(4,620)	(2,901)
	8,910	(13,840)	(12,331)
Cash used by operations	**(26,209)**	(31,850)	(42,670)
Investing activities:			
Net decrease (increase) in short-term investments	**64,921**	29,439	(41,559)
Additions to property, plant and equipment	**(3,560)**	(6,379)	(8,735)
Proceeds on sale of property, plant and equipment	**475**	—	66
Proceeds on sale of investments (note 9)	—	541	3,302
Disposition of assets held for sale (notes 3 & 4)	**(61,285)**	1,787	(687)
Investments (notes 9 & 11)	**(6,212)**	(3,290)	(4,057)
Other long-term assets	—	(2,401)	78
Long-term liabilities	**(304)**	94	799
	(5,965)	19,791	(50,793)
Financing activities:			
Non-dilutive financing (note 2)	**36,920**	—	—
Net proceeds on issuance of share capital	**—**	—	5,943
	36,920	—	5,943
Increase (decrease) in cash and cash equivalents	**4,746**	(12,059)	(87,520)
Cash and cash equivalents, beginning of year	**49,340**	61,399	148,919
Cash and cash equivalents, end of year	**$ 54,086**	$ 49,340	$ 61,399

Supplemental disclosure of cash flow information (note 17)
See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

(a) Description of business:

The principal business of Ballard Power Systems Inc. (the "Corporation") is the design, development, manufacture, sale and service of fuel cell products for a variety of applications. A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. Our technology is based on proton exchange membrane ("PEM") fuel cells. The Corporation operated in three market segments:

- **Power Generation:** Fuel cell products and services for material handling, back-up power and residential co-generation purposes;
- **Automotive:** Fuel cell products and services for fuel cell cars, vans and buses; and
- **Material Products:** Carbon fiber products primarily for automotive transmissions and gas diffusion layers ("GDL") for fuel cells.

(b) Basis of presentation:

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian GAAP. Material measurement differences to United States GAAP are disclosed in note 21.

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

	Percentage ownership		
	2008	2007	2006
Ballard Advanced Materials Corporation	77.5%	77.5%	77.5%
Ballard Generation Systems Inc.	-	100.0%	100.0%
Ballard GmbH	100.0%	100.0%	100.0%
Ballard Material Products Inc.	100.0%	100.0%	100.0%
Ballard Power Corporation	100.0%	100.0%	100.0%
Ballard Power Systems Corporation (note 4)	-	-	100.0%

On December 23, 2008, Ballard Generation Systems Inc. ("BGS"), a wholly owned subsidiary company of the Corporation, was dissolved and the Corporation assumed all of BGS' assets, debts, obligations and liabilities.

All significant intercompany balances and transactions have been eliminated.

1. Significant accounting policies (cont'd):

(c) Convergence with International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed the date of changeover from GAAP to *International Financial Reporting Standards* ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The Corporation, with the assistance of an external expert advisor, has begun a high level review of the major differences between Canadian GAAP and IFRS. This work is expected to be completed in 2009.

(d) Translation of foreign currencies:

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

(e) Use of estimates:

The preparation of consolidated financial statements requires the Corporation's management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and notes thereto. Significant areas requiring management to make estimates include the net realizable valued inventory, product warranty obligations, valuation of investments, revenue recognition and recoverability of intangibles and goodwill. Actual results could differ from those estimates.

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

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

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

1. **Significant accounting policies (cont'd):**

(g) Financial instruments:

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

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

The Corporation classifies its accounts receivables as loans and receivables and its accounts payable and warranty liabilities as financial liabilities that are not classified as held for trading.

Periodically, the Corporation enters into forward exchange contracts to limit its exposure to foreign currency rate fluctuations and to platinum price fluctuations. These derivative contracts are recorded as either assets or liabilities in the consolidated balance sheet at fair value. Any changes in fair value are recognized in net income.

The Corporation does not designate its financial instruments as hedges.

(h) Capital Disclosure:

Effective January 1, 2008, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for *Capital Disclosures* (CICA Handbook Section 1535). This new section establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires an entity to disclose: (i) its objectives, policies and processes for managing capital; (ii) summary quantitative data about what it manages as capital; (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and (iv) when the entity has not complied with such requirements, the consequences of such non-compliance (note 20).

1. **Significant accounting policies (cont'd):**

(i) Inventories:

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

(j) Property, plant and equipment:

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

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

(k) Goodwill and intangible assets:

Effective December 31, 2008, the Corporation early adopted the recommendations of the CICA for *Goodwill and Intangible Assets* (CICA Handbook Section 3064). The new standard provides more guidance on intangible assets and the recognition of internally generated intangible assets including research and development costs. This accounting standard was applied retrospectively, however there were no material impacts on prior period financial statements requiring restatement by adopting the new standard.

Research costs are expensed as they are incurred. Product development costs are expensed as incurred except when they meet specific criteria for deferral as set forth under Canadian GAAP.

1. **Significant accounting policies (cont'd):**

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

Goodwill is recognized in the Corporation's consolidated financial statements as the excess of the purchase price of businesses acquired over the fair values assigned to identifiable assets acquired and liabilities assumed and is assigned to reporting units of a market segment.

Intangible assets consist of fuel cell technology acquired from third parties and are recorded at cost. Intangible assets are amortized over their estimated useful lives of 5 to 15 years using the straight-line method. Intangible assets are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to cover its carrying value.

The Corporation tested goodwill and intangible assets for impairment in each of the reporting units using a discounted cash flow methodology and determined that there was no impairment to goodwill and intangible assets.

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

(l) Investments:

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

(m) Accrued warranty liabilities:

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

(n) Asset retirement obligations:

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

1. **Significant accounting policies (cont'd):**

(o) Revenue recognition:

The Corporation recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured.

Revenue from products is recognized when title passes to the customer and all of the revenue recognition criteria specified above is met. Revenue from engineering services is recognized as services are rendered and predefined milestones are achieved, or on the percentage of completion method of accounting. For contracts with multiple deliverables, the Corporation allocates revenue to each element of the contract based on objective evidence of the fair value of the element. Revenue from long-term fixed price service contracts is determined under the proportionate performance method where revenues are recognized on a pro-rata basis in the relation that contract costs incurred have to total contract costs. Unbilled revenue (included in accounts receivable) represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents cash received from customers in excess of revenue recognized on uncompleted contracts.

(p) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for loss carry-forwards. The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated, and if realization is not considered to be "more likely than not," a valuation allowance is provided.

(q) Employee future benefit plans:

The Corporation has a defined benefit pension plan covering employees in the United States. In addition, the Corporation provides other retirement benefits for certain employees in the United States. The benefits are based on years of service and the employee's compensation level. The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets.

1. **Significant accounting policies (cont'd):**

(q) Employee future benefit plans (cont'd):

The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. For the purpose of calculating the expected rate of return of plan assets, those assets have been valued at fair value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation, and the fair value of plan assets, is amortized over the average remaining service period of active employees.

Any increase in the projected benefit obligation resulting from amendments affecting prior service is amortized on a straight-line basis over the remaining service period of active plan participants who are expected to receive benefits under the plan on the date the amendment is first recognized. To the extent that the liability is not covered by assets of the plan, nor reflected in the accrued pension cost, there is a transition asset, or obligation, to be recognized over a specified period in accordance with an amortization schedule.

(r) 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, calculated using the Black-Scholes valuation method and estimated for forfeitures, is charged to net income over the vesting period, whereby the compensation expense is recognized when services are received with a corresponding increase to contributed surplus.

The Corporation issues shares and share options under its share-based compensation plans as described in note 13. 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.

(s) Earnings (loss) per share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) 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 unites ("DSUs"), restricted share units ("RSUs"), and "in the money" options, if any, be exercised.

1. **Significant accounting policies (cont'd):**

(t) Comprehensive income (loss):

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

(u) Government assistance and investment tax credits:

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

(v) Comparative figures:

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

2. Non-dilutive financing:

On December 31, 2008, the Corporation completed a restructuring transaction with Superior Plus Income Fund ("Superior Plus") to reorganize the Corporation's business under a Plan of Arrangement (the "Arrangement"). Pursuant to the Arrangement, Superior Plus transferred $38,029,000 (CDN $46,319,000) to the Corporation's parent company ("Old Ballard"). Old Ballard subsequently transferred all of its assets and liabilities (including the net cash proceeds, but excluding Old Ballard's historic Canadian income tax carry forward attributes), to a new wholly owned company, ("the Corporation"). Old Ballard's shareholders exchanged their shares, on a one-for-one basis, for shares of the Corporation. The Corporation will now carry on the full scope of the Old Ballard's business operations, and will hold all rights to intellectual property, as held by Old Ballard prior to the completion of the Arrangement.

As the transfer of the business assets, liabilities and operations from Old Ballard to the Corporation represented a transaction with no change in shareholder ownership, the transaction was accounted for using continuity of interest accounting.

2. **Non-dilutive financing (cont'd):**

Pursuant to continuity of interest accounting, the assets transferred and liabilities assumed were recorded at their carrying values as reported by the Corporation immediately prior to the completion of the Arrangement. As a result, the net cash proceeds were recorded as a credit to shareholders' equity. In addition, as the future income tax benefits of Old Ballard's Canadian non-capital losses, capital losses, scientific research and development expenditures and investment tax credits generated through to the date of the completion of the Arrangement are not available to the Corporation after the completion of the Arrangement, the gross future income tax assets related to these Canadian tax pools was reduced to nil, with a corresponding reduction of the related valuation allowance (note 15).

		2008
Proceeds of Arrangement	$	38,029
Disposal costs incurred		(1,109)
Net cash proceeds at December 31, 2008		36,920
Disposal costs accrued		(3,108)
Net proceeds of Arrangement	$	33,812

3. Disposition of certain automotive fuel cell assets:

On January 31, 2008, the Corporation completed the sale of its automotive fuel cell research and development assets (the "AFCC Transaction") to Daimler, Ford and AFCC Automotive Fuel Cell Cooperation Corp. ("AFCC"). AFCC, which is controlled by Daimler and Ford, was created to carry on the development of automotive fuel cells for Daimler and Ford. Under the terms of the AFCC Transaction, the Corporation transferred to Daimler, Ford and AFCC its automotive patents, automotive fuel cell test equipment, automotive fuel cell inventory, $60,000,000, all automotive fuel cell warranty liabilities and all automotive fuel cell development contracts with Daimler and Ford, 80.1% of the outstanding shares of AFCC (note 9), 112 personnel, and a royalty free, sub-licensable license to the Corporation's remaining intellectual property for use in automotive applications. In exchange, Daimler and Ford returned to the Corporation an aggregate of 34,261,298 of its common shares valued at $173,900,000, one Class A share and one Class B share, collectively representing Daimler and Ford's entire direct and indirect equity interest in the Corporation. These shares were then cancelled.

3. **Disposition of certain automotive fuel cell assets (cont'd):**

The Corporation recorded a gain of $96,845,000 on the closing of the AFCC transaction.

	2008
Proceeds on disposal	$ 173,900
Cash transferred to Daimler and Ford	(58,000)
Disposal costs	(3,823)
Net proceeds	112,077
Cash transferred to AFCC	(2,000)
Net investment in remaining automotive assets as of January 31, 2008	(13,232)
Net gain on disposal	$ 96,845

As the Corporation was determined to have significant continuing involvement with AFCC, the historic results of the operations transferred are reported in results from continuing operations.

Included in the assets and liabilities held for sale related to the AFCC Transaction at December 31, 2007 are:

	2007
Inventories	$ 105
Current assets held for sale	$ 105
Property, plant and equipment	$ 2,331
Intangible assets	10,150
Goodwill	3,805
Long-term assets held for sale	$ 16,286
Accrued warranty liabilities	$ 1,933
Current liabilities held for sale	$ 1,933

4. Disposition of Ballard Power Systems Corporation:

On February 15, 2007, the Corporation disposed of its electric drive operations, Ballard Power Systems Corporation ("BPSC"), an indirectly wholly-owned subsidiary to a third party. Net proceeds on disposition were $1,689,000, which included cash proceeds of $3,754,000, partly offset by disposal cost of $2,065,000. The total net loss on disposal of $108,464,000 was recorded as a net loss of $111,355,000 in 2006 and an offsetting net gain of $2,891,000 in 2007 primarily as a result of employee future benefit plan curtailments in 2007. Upon closing, the Corporation ceased to consolidate the results of BPSC.

4. Disposition of Ballard Power Systems Corporation (cont'd):

The results of operations of BPSC have been presented as discontinued operations in the prior period figures. The results of BPSC had previously been reported in both the Automotive and Power Generation segments.

Net loss from discontinued operations is summarized as follows:

		2007		2006
Total revenue from discontinued operations	$	311	$	12,193
Loss from operating activities	$	3,384	$	12,788
Loss (gain) on long-lived assets held for sale		(2,891)		111,355
Loss from discontinued operations	$	493	$	124,143

In 2006, loss from operating activities included $769,000 in loss on disposal and write-down of long-lived assets.

5. Accounts receivable:

		2008		2007
Trade receivables	$	18,601	$	18,115
Other		255		848
	$	18,856	$	18,963

6. Inventories:

		2008		2007
Raw materials and consumables	$	6,632	$	9,497
Work-in-progress		1,891		3,371
Finished goods		1,879		1,991
	$	10,402	$	14,859

In 2008, changes in raw materials and consumables, finished goods and work-in-progress recognized as cost of product and service revenues amounted to $25,948,000 (2007 - $21,252,000; 2006 – $13,677,000). In 2008, the write-down of inventories to net realizable value amounted to $745,000 (2007 - $1,375,000; 2006 - $2,301,000). There were no reversals of write-downs in 2008, 2007 or 2006. Write-downs and reversals are included in either cost of product and service revenues, or research and product development expense, depending on the nature of inventory.

7. **Property, plant and equipment:**

2008	Cost	Accumulated depreciation	Net book value
Land	$ 4,803	$ —	$ 4,803
Building	13,574	5,140	8,434
Computer equipment	17,874	14,905	2,969
Furniture and fixtures	5,342	4,830	512
Leasehold improvements	10,659	6,108	4,551
Production and test equipment	65,877	48,391	17,486
	$ 118,129	$ 79,374	$ 38,755

2007	Cost	Accumulated depreciation	Net book value
Land	$ 4,803	$ —	$ 4,803
Building	13,392	4,612	8,780
Computer equipment	18,397	14,559	3,838
Furniture and fixtures	5,366	4,821	545
Leasehold improvements	10,515	5,341	5,174
Production and test equipment	65,151	45,385	19,766
	$ 117,624	$ 74,718	$ 42,906

8. Intangible assets:

2008	Cost	Accumulated amortization	Net book value
Fuel cell technology	$ 49,801	$ 46,075	$ 3,726

2007	Cost	Accumulated amortization	Net book value
Fuel cell technology	$ 49,801	$ 45,498	$ 4,303

9. Investments:

Investments are comprised of the following:

	2008		2007	
	Amount	Percentage ownership	Amount	Percentage ownership
Chrysalix Energy Limited Partnership	$ 500	15.0%	$ 3,250	15.0%
AFCC	1,265	19.9%	—	—
	$1,765		$ 3,250	

Chrysalix Energy Limited Partnership (“Chrysalix”) is recorded at the lower of cost and estimated net realizable value. During 2008, the Corporation made additional investments of $273,000 (2007 - $163,000) in Chrysalix and recorded a write-down of $3,020,000 to adjust the carrying value of Chrysalix to its estimated net realizable value of $500,000.

9. Investments (cont'd):

The Corporation maintains a 19.9% interest in AFCC which is accounted for using the cost method and is subject to a share purchase agreement under which Ford, either at the option of the Corporation or Ford's election, may purchase the Corporation's interest in AFCC at any time after January 31, 2013 for $65,000,000 plus interest accruing at LIBOR from January 31, 2008. The purchase may take place earlier than January 13, 2013 if certain events occur. The Corporation has no obligation to fund any of AFCC's operating expenses. The share purchase agreement is considered to be a derivative instrument and is recorded at its fair value of $1. This derivative investment is carried at cost and is not marked to market each reporting period as the Corporation has determined that it is not possible to reliably determine the derivative fair value.

In 2007, the Corporation sold its 25% interest in Advanced Energy Technology Inc. ("Advanced Energy") for proceeds of $541,000, recording a write-down of long-lived assets of $4,563,000.

10. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable	$ 6,274	$ 2,202
Other liabilities	3,663	2,420
Accrued non-dilutive financing costs (note 2)	3,108	—
Compensation payable	8,657	15,218
Taxes payable	117	202
	$ 21,819	$ 20,042

11. Long-term liabilities:

	2008	2007
EBARA BALLARD Corporation	$ 13,245	$ 10,536
Deferred revenue	4,250	3,760
Employee future benefit plans (note 12)	1,988	1,971
Asset retirement obligation	1,019	1,339
	$ 20,502	$ 17,606

The Corporation's 49% interest in EBARA BALLARD Corporation ("EBARA BALLARD") is accounted for using the equity method. As the Corporation's proportionate share of losses from EBARA BALLARD has exceeded the Corporation's net funded investment, the net investment of ($13,245,000) (2007 – ($10,536,000)) has been presented in long-term liabilities.

11. Long-term liabilities (cont'd):

During 2008, the Corporation made an additional investment of $11,249,000 (2007 - $8,461,000), in EBARA BALLARD, representing the Corporation's final committed proportionate share of financing by EBARA BALLARD's shareholders under the 2005 funding agreement. In addition, the Corporation received from EBARA BALLARD the final payment (net of taxes) of $5,310,000 (2007 - $5,310,000), related to a license to certain intellectual property and manufacturing rights totaling (net of withholding taxes) $21,240,000. This receipt is recorded as a credit against the Corporation's investment in EBARA BALLARD.

In determining the fair value of the asset retirement obligations, the estimated future cash flows have been discounted at 12% per annum. The total undiscounted amount of the estimated cash flows required to settle this obligation is $3,441,000. The obligation will be settled at the end of the term of the operating lease, which extends to 2019.

12. Employee future benefit plan:

The Corporation maintains a defined benefit pension plan covering employees in the United States. The benefits under the pension plan are based on years of service and salary levels. Certain employees are also eligible for post-retirement healthcare, life insurance and other benefits. The measurement date used to determine pension and other post-retirement benefit measures for the pension plan and the post-retirement benefit plan is December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2008.

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

Defined benefit plan obligations:

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Balance, beginning of year	$ 9,430	$ 614	$ 9,587	$ 4,094
Current service cost	348	3	359	12
Interest cost	562	35	479	33
Plan participant contributions	—	—	—	2
Benefits paid	(116)	(31)	(104)	(27)
Actuarial (gains) losses	(243)	(5)	298	(44)
Curtailments	—	—	(1,189)	(3,456)
Balance, end of year	$ 9,981	$ 616	$ 9,430	$ 614

12. Employee future benefit plan (cont'd):

Defined benefit plan assets:

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Balance, beginning of year	$ 7,849	$ —	$ 6,847	$ —
Actual return (loss) on plan assets	(2,337)	—	413	—
Employer's contributions	396	31	736	25
Plan Participant Contributions	—	—	—	2
Benefits paid	(147)	(31)	(147)	(27)
Balance, end of year	$ 5,761	$ —	$ 7,849	$ —

The plan assets for the funded pension plans consist of:

	2008	2007
Asset Category:		
Equity securities	74%	73%
Debt securities	26%	27%
Total	100%	100%

Reconciliation of the funded status of the benefit plans:

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Fair value of plan assets	$ 5,761	$ —	$ 7,849	$ —
Accrued benefit obligation	9,981	616	9,430	614
Funded status - deficit	(4,220)	(616)	(1,581)	(614)
Unamortized net actuarial (gain) loss	3,117	(269)	430	(206)
Accrued benefit liability	$ (1,103)	$ (885)	$ (1,151)	$ (820)

12. Employee future benefit plan (cont'd):

The elements of the defined benefit costs recognized for the years ended December 31, 2008 and 2007 are:

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Current service cost	$ 348	$ 3	$ 359	$ 12
Interest cost	562	35	479	33
Actual (return) loss on plan assets	2,337	—	(413)	—
Actuarial (gains) losses	(243)	(5)	298	(44)
Elements of employee future benefit costs before adjustments	$ 3,004	$ 33	$ 723	$ 1
Adjustments to recognize the long-term nature of employee future benefit costs:				
Differences between expected and actual return on plan assets for year	(2,897)	—	(90)	—
Difference between actuarial gains (losses) recognized for year and actuarial gains (losses) on accrued benefit obligation for year	243	5	(298)	44
Amortization of prior service cost	—	47	(3)	101
Amortization of (gain) loss	—	(22)	—	(13)
Defined benefit costs recognized	$ 350	$ 63	$ 332	$ 133

The significant actuarial assumptions adopted in measuring benefit obligations at December 31, 2008 and 2007 were as follows:

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Discount rate	6.0%	6.0%	6.0%	6.0%
Rate of compensation increase	3.3%	n/a	3.0%	n/a

12. Employee future benefit plan (cont'd):

The significant actuarial assumptions adopted in determining net cost for the years ended December 31, 2008 and 2007 were as follows:

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Discount rates	6.0%	6.0%	5.8%	5.8%
Expected long-term rate of return on plan assets	7.0%	n/a	7.0%	n/a
Rate of compensation increase	3.3%	n/a	3.3%	n/a

The assumed health care cost trend rates applicable to the other benefit plans at December 31, 2008 and 2007 were as follows:

	2008	2007
Initial medical health care cost trend rate	9.0%	11.0%
Initial dental health care cost trend rate	5.0%	7.0%
Cost trend rate declines to medical and dental	5.0%	5.0%
Year that the medical rate reaches the rate it is assumed to remain at	2017	2016
Year that the dental rate reaches the rate it is assumed to remain at	2009	2010

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

In 2007, due to the sale of BPSC (note 4), changes were made to benefits accruing to employees under both the pension and other benefit plans, which resulted in the recognition of curtailment gains of $2,699,000.

13. Share capital:

(a) Authorized and issued:

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

At December 31, 2008, 82,122,135 (2007 – 115,099,140; 2006 – 114,212,575) common shares are issued and outstanding.

On January 31, 2008, 34,261,298 common shares, one Class A share and one Class B share were returned to the Corporation and cancelled upon completion of the AFCC Transaction (note 3).

13. Share capital (cont'd):

(b) Share option plans:

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

As at December 31, 2008, options outstanding from the three share option plans were as follows:

	Outstanding options	Options to be granted	Range of exercise prices
2002 share option plan	2,444,050	—	$ 2.55 - $24.91
2000 share option plan	2,219,410	798,049	$ 4.17 - $157.64
1997 share option plan	812,922	—	$ 6.22 - $157.64

	Options for common shares	Weighted average exercise price
Balance, December 31, 2005	4,957,776	$ 39.83
Options granted	1,318,500	6.08
Options exercised	(5,249)	6.40
Options cancelled	(430,169)	27.35
Balance, December 31, 2006	5,840,858	33.17
Options granted	855,009	7.58
Options cancelled	(1,110,791)	35.20
Balance, December 31, 2007	5,585,076	34.15
Options granted	829,374	4.11
Options cancelled	(938,068)	29.05
Balance, December 31, 2008	5,476,382	$ 24.65

13. Share capital (cont'd):

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

The following table summarizes information about the Corporation's share options outstanding as at December 31, 2008:

	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
$2.55 - $6.65	2,956,945	6.3	$ 5.53	1,348,829	$ 6.06
$10.00 - $15.02	641,879	4.1	11.81	582,458	11.98
$24.91 - $31.20	694,995	3.4	24.91	694,995	24.91
$32.48 - $43.72	411,438	1.8	34.97	411,438	34.97
$54.19 - $72.66	411,625	2.2	58.56	411,625	58.56
$94.83 - $157.64	359,500	1.2	153.74	359,500	153.74
	5,476,382	4.7	$ 24.65	3,808,845	$ 33.14

The Corporation uses the fair-value method for recording employee and director share option grants. During 2008, compensation expense of $2,763,000 (2007 - $3,462,000; 2006 - $3,278,000) was recorded in net income as a result of fair value accounting for share options granted. The share options granted during the year had a weighted average fair value of $2.65 (2007 - $3.92; 2006 - $3.86) and vesting periods of three years.

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

	2008	2007	2006
Expected life	7 years	7 years	7 years
Expected dividends	Nil	Nil	Nil
Expected volatility	48%	53%	59%
Risk-free interest rate	4%	4%	4%

In addition, at December 31, 2008, 26,608 options were outstanding under the BGS option exchange plan with exercise prices ranging from $30.99 to $38.92 and a term expiring in 2009.

(c) Share distribution plans:

The Corporation has share distribution plans that permit the issuance of common shares for no cash consideration to employees of the Corporation to recognize their past contribution and encourage future contribution to the Corporation. At December 31, 2008, there were 2,092,901 shares available to be issued under these plans.

13. Share capital (cont'd):

(c) Share distribution plans (cont'd):

Compensation expense of $5,446,000 was charged against income during the year ended December 31, 2008 (2007 - $9,592,000; 2006 - $5,001,000) for shares distributed and to be distributed under the plans.

(d) Deferred Share Units:

Deferred share units ("DSUs") are granted to the board of directors and executives. Eligible directors may elect to receive all or part of their annual retainers and executives may elect to receive all or part of their annual bonuses in DSUs. Each DSU is redeemable for one common share in the capital of the Corporation after the director or executive ceases to provide services to the Corporation. Shares will be issued from the Corporation's share distribution plans. As at December 31, 2008, 333,066 DSUs (2007 – 299,991) were issued and outstanding, and $202,000 (2007 - $481,000; 2006 - $387,000) of compensation expense was recorded for the year then ended.

(e) Restricted Share Units:

Restricted share units ("RSUs") are granted to employees and executives. 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. Each RSU is convertible into one common share. Shares will be issued from the Corporation's share distribution plans. As at December 31, 2008, 1,092,813 RSUs (2007 – 631,307) were issued and outstanding, and $1,388,000 (2007 - $1,796,000; 2006 -$1,233,000) of compensation expense was recorded for the year then ended.

14. Commitments, guarantees and contingencies:

At December 31, 2008, the Corporation is committed to payments under operating leases as follows:

2009	$ 1,403
2010	1,543
2011	1,543
2012	1,543
2013	1,543
Thereafter	9,809
Total minimum lease payments	$17,384

The Corporation has agreed to pay royalties in respect of sales of certain fuel cell-based stationary power products under two development programs with Canadian government agencies. The total combined royalty is limited in any year to 4% of revenue from such products. Under the terms of the Utilities Development Program

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

(Phase 1) with the Governments of Canada and British Columbia, total royalties are payable to a maximum equal to the original amount of the government contributions of $8,787,000 (CDN$10,702,000). As at December 31, 2008, no royalties have been incurred for Phase 1. Under the terms of the Utilities Development Program (Phase 2) with Technology Partnerships Canada ("TPC") total royalties are payable to a maximum of $31,469,000 (CDN$38,329,000). As at December 31, 2008, a total of $4,368,000 (CDN $5,320,000) in royalty repayments have been incurred for Phase 2 including payments of $151,000 (CDN$ 184,000) in 2008, $147,000 (CDN$ 172,000) in 2007, and $2,217,000 (CDN$ 2,530,000) in 2006.

Original maximum recoverable amount under Phase 1 and 2	CDN$	49,031
Prior year payments applied		(2,320)
Maximum recoverable amount, December 31, 2005		46,711
2006 payments		(2,530)
Maximum recoverable amount, December 31, 2006		44,181
2007 payments		(172)
Maximum recoverable amount, December 31, 2007		44,009
2008 payments		(184)
Maximum recoverable amount, December 31, 2008	CDN$	43,825
Maximum recoverable amount, December 31, 2008	US$	35,981

At December 31, 2008, the Corporation has outstanding commitments aggregating up to a maximum of $164,000 (2007 - $974,000) relating primarily to purchases of property, plant and equipment.

The Corporation is also committed to make future investments totaling $420,000 in Chrysalix (note 9).

The Corporation has agreed to pay royalties in respect of sales of Ballard fuel cells or fuel cell systems under a July 31, 1996 Fuel Cell Bus Program Agreement ("FC Bus Agreement"), with Province of British Columbia, BC Transit, and BC Transportation Financing Authority ("BCTFA"). Under the terms of FC Bus Agreement, the royalty payable is at a rate of 2% on future sales of such products for commercial transit application to a maximum of $1,806,000 (CDN$ 2,200,000). No royalties have been paid to date.

The Arrangement with Superior Plus (note 2) includes an indemnification agreement dated December 31, 2008 (the "Indemnity Agreement"), which sets out the parties' continuing obligations to the other. The Indemnity Agreement provides for the indemnification by each of the parties to the other for breaches of representations and warranties or covenants, as well as, in the Corporation's case, any liability relating to the business which is suffered by Superior Plus. The Corporation's indemnity to Superior Plus with respect to representation relating to the existence of

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

the Corporation's tax pools immediately prior to the completion of the Arrangement is limited to an aggregate of $6,034,000 (CDN $7,350,000) with a threshold amount of $411,000 (CDN $500,000) before there is an obligation to make a payment. The Indemnity Agreement also provides for adjustments to be paid by the Corporation, or to the Corporation, depending on the final determination of the amount of 2008 Canadian non-capital losses, scientific research and development expenditures and investment tax credits, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed.

At December 31, 2008, no amount payable or receivable has been accrued as a result of the Indemnity Agreement as the Corporation has not yet finalized its 2008 Canadian income tax return and agreed upon any differences with Superior Plus.

15. Income taxes:

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

	2008	2007	2006
Net income (loss) before income taxes	$ 34,095	$ (57,355)	$ (182,554)
Expected tax expense (recovery) at 31.00% (2007-34.12%; 2006-34.12%)	$ 10,569	$ (19,570)	$ (62,287)
Increase (reduction) in income taxes resulting from:			
Income transferred on Arrangement	(10,807)	—	—
Non-deductible portion of capital loss	—	1,035	2,201
Non-deductible expenses (non-taxable income)	(483)	2,850	866
Investment tax credits earned	—	(29,809)	(10,286)
Financing costs	—	—	(97)
Foreign tax rate differences	(35)	74	(692)
Gain on assets held for sale	—	—	38,205
Losses and other deductions for which no benefit has been recorded	756	45,420	32,090
Income tax expense	—	—	—
Branch tax	16	—	—
Large corporations tax (recovery)	—	(53)	(1,417)
Income taxes (recovery)	$ 16	$ (53)	$ (1,417)

15. Income taxes (cont'd):

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

	2008	2007
Canadian scientific research expenditures	$ 4,555	$ 585,420
Canadian losses from operations	—	147,641
Canadian capital losses	—	241,963
Canadian investment tax credits	810	172,958
German losses from operations for corporate tax purposes	130	393
U.S. federal losses from operations	28,158	30,415
U.S. state losses from operations	19,072	26,727
U.S. research and development and investment tax credits	2,162	2,030
U.S. capital losses	171,338	287,389

As a result of the Arrangement (note 2), the Corporation's gross future tax assets related to the Canadian tax pools, excluding Ballard Advanced Materials Corporation, were reduced to nil.

The Canadian scientific research expenditures and capital losses may be carried forward indefinitely. The German losses from operations may be used to offset future taxable income in Germany for corporate tax and trade tax purposes and may be carried forward indefinitely. The U.S. federal losses from operations may be used to offset future U.S. taxable income and expire over the period from 2011 to 2028. The U.S. states losses from operations arising in California and Massachusetts may be used to offset future state taxable income and may be carried forward for ten and five years respectively. The U.S. federal and state research and development and investment tax credits are available to reduce future U.S. taxable income and expire over the period from 2009 to 2027. The U.S. capital losses are available to reduce U.S. capital gains and expire over the period from 2010 to 2012.

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

2010	$ 145
2011	264
2012	51
2013	99
2014	87
2015	—
2016	78
2017	86
	$ 810

15. Income taxes (cont'd):

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

	2008	2007
Future income tax assets:		
Scientific research expenditures	$ 1,184	$ 158,064
Investment in associated companies	2,511	1,395
Accrued warranty liabilities	1,264	290
Share issuance costs	—	1
Losses from operations carried forward	10,705	52,366
Capital losses	58,255	131,843
Investment tax credits	2,976	141,431
Property, plant and equipment and intangible assets	17,109	32,869
Total future income tax assets	94,004	518,259
Less valuation allowance:		
- Canada	(23,515)	(408,004)
- U.S.	(70,455)	(110,151)
- Germany	(34)	(104)
Net future income taxes	$ —	$ —

16. Related party transactions:

Related parties include shareholders with a significant ownership interest in the Corporation, together with its subsidiaries and affiliates, and the Corporation's equity accounted investee. The revenue and costs recognized from transactions with such parties reflect the prices and terms of sales and purchase transactions with related parties which are in accordance with normal trade practices.

	2008	2007
Balances with related parties:		
Accounts receivable	$ 4,500	$ 12,054
Accounts payable	31	13

	2008	2007	2006
Transactions during the year with related parties:			
Revenues from products and services and engineering development	$ 7,906	$ 37,435	$ 41,363
Purchases	188	442	899

In addition, the AFCC Transaction is a related party transaction (note 3).

17. Supplemental disclosure of cash flow information:

	2008	2007	2006
Non-cash financing and investing activities:			
Compensatory shares	$ 7,299	$ 2,651	$ 2,220
Accrued disposition costs related to AFCC transaction (note 3)	$ 155	$ 232	$ —
Accrued costs related to Arrangement (note 2)	$ 3,108	$ —	$ —
Shares cancelled on AFCC transaction (note 3)	$ 173,900	$ —	$ —

18. Segmented financial information:

The Corporation's business operates in three market segments: Power Generation, Automotive, and Material Products. Segmented information excludes amounts reported as discontinued operations.

Segment revenues and segment loss represent the primary financial measures used by senior management in assessing performance and allocating resources, and include the revenues, cost of product revenues and expenses for which management is held accountable. Segment expenses include research and product development costs directly related to individual segments. Costs associated with shared services
and other costs are allocated based on headcount and square footage. Corporate amounts include expenses for research and product development, marketing and general and administrative, which apply generally across all segments and are reviewed separately by senior management.

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

18. Segmented financial information (cont'd):

	2008	2007	2006
Total revenues			
Power Generation	$ 16,613	$ 19,432	$ 13,286
Automotive	30,284	32,035	25,080
Material Products	12,683	14,065	11,457
	$ 59,580	$ 65,532	$ 49,823
Segment income (loss) for the year[(1)]			
Power Generation	$ (6,820)	$ 2,918	$ 1,911
Automotive	5,747	9,168	(241)
Material Products	(115)	1,528	(257)
Total	(1,188)	13,614	1,413
Corporate amounts			
Research and product development	(23,805)	(31,612)	(25,070)
General and administrative	(12,615)	(19,068)	(13,262)
Marketing and business development	(7,461)	(8,981)	(7,226)
Depreciation and amortization	(6,034)	(15,732)	(16,391)
Investment and other income (loss)	(186)	16,933	9,932
Gain on sale of assets	96,845	—	—
Loss on disposal and write-down of long-lived assets	(2,812)	(4,583)	(778)
Equity in loss of associated companies	(8,649)	(7,433)	(7,029)
Income (loss) from continuing operations before income tax	$ 34,095	$ (56,862)	$ (58,411)

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

As at December 31, 2008 and 2007, goodwill was allocated $46,291,000 to the Power Generation segment and $1,815,000 to the Material Products segment. Goodwill of $3,805,000 related to the Automotive segment was disposed of as a result of the AFCC transaction (note 3).

In 2008, revenues from the Automotive segment included sales to three customers that each exceed 10% of total revenue in the amount of $9,343,000, $8,256,000 and $8,053,000, respectively.

In 2007, revenues from the Power Generation segment included sales to one customer that exceed 10% of total revenue in the amount of $10,161,000. Revenues from the Automotive segment included sales to two customers that exceed 10% of total revenue in the amount of $15,983,000 and $9,818,000, respectively. Revenues for the Material Products segment included sales to one customer that exceed 10% of total revenue in the amount of $6,472,000.

18. Segmented financial information (cont'd):

In 2006, revenues from the Power Generation segment included sales to one customer that exceed 10% of total revenue in the amount of $9,701,000. Revenues from the Automotive segment included sales to one customer that exceed 10% of total revenue in the amount of $15,839,000. Revenues for the Material Products segment included sales to one customer that exceed 10% of total revenue in the amount of $6,840,000.

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

	2008		2007		2006	
	Revenues	Property, plant and equipment and goodwill	Revenues	Property, plant and equipment and goodwill	Revenues	Property, plant and equipment and goodwill[1]
Canada	$ 9,991	$ 77,570	$ 670	$ 80,815	$ 1,305	$ 82,026
U.S.	29,713	9,232	30,993	10,134	17,041	10,898
Japan	5,138	—	11,076	—	10,344	—
Germany	11,822	59	21,028	63	19,567	137
Other countries	2,915	—	1,765	—	1,566	—
	$ 59,580	$ 86,861	$ 65,532	$ 91,012	$ 49,823	$ 93,061

[1] Excludes assets associated with disposition of BPSC which has been presented as discontinued operations.

Revenues are attributed to countries based on customer location.

19. Financial risk management:

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

	2008			2007		
	Canadian dollar portfolio[1]	US. dollar portfolio	Total	Canadian dollar portfolio[1]	US. dollar portfolio	Total
Cash and cash equivalents	$ 43,343	$ 10,743	$ 54,086	$ 5,202	$ 44,138	$ 49,340
Short-term investments	15,289	16,024	31,313	46,993	49,241	96,234
Total cash, cash equivalents and short-term investments	$ 58,632	$ 26,767	$ 85,399	$ 52,195	$ 93,379	$145,574

[1] U.S. dollar equivalent

19. Financial risk management (cont'd):

Changes arising from these risks could impact the Corporation's reported investment and other income through either changes to investment income or foreign exchange gains or losses. Reported investment and other income is as follows:

	2008	2007	2006
Investment income	$ 2,012	$ 8,207	$ 9,913
Other income	1,455	—	—
Foreign exchange gain (loss)	(3,653)	8,726	19
Investment and other income (loss)	$ (186)	$ 16,933	$ 9,932

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

a) Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to currency risks primarily due to its holdings of Canadian dollar denominated cash equivalents and short-term investments and its Canadian dollar denominated purchases and accounts payable. Substantially all receivables are denominated in U.S. dollars.

The Corporation limits its exposure to foreign currency risk by holding Canadian denominated cash, cash equivalents and short-term investments in amounts up to 100% of forecasted twelve month Canadian dollar net expenditures and up to 50% of the following twelve months of forecasted Canadian dollar net expenditures, thereby creating a natural hedge. Periodically, the Corporation also enters into forward foreign exchange contracts to further limit its exposure. At December 31, 2008, the Corporation had Canadian dollar cash, cash equivalents and short-term investments of CDN $71,414,000, and outstanding forward foreign exchange contracts outstanding to sell a total of CDN $8,000,000 in 2009 at an average rate of $0.90 to $1.00 CDN.

The following exchange rates applied during the year ended December 31, 2008:

	$U.S. to $1.00 $CDN	$CDN to $1.00 $U.S.
January 1, 2008 Opening rate	$ 1.012	$ 0.988
December 31, 2008 Close rate	0.821	1.218
Fiscal 2008 Average rate	0.937	1.067
Fiscal 2008 Year high	1.021	0.980
Fiscal 2008 Year low	0.808	1.237

19. Financial risk management (cont'd):

Based on cash, cash equivalents and short-term investments and outstanding forward foreign exchange contracts held at December 31, 2008, 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 $6,518,000. If the Canadian dollar weakened 10% against the U.S. dollar, there would be an equal, and opposite impact, on net income. This sensitivity analysis includes foreign currency denominated monetary items, and adjusts their translation at year-end, for a 10% change in foreign currency rates.

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

Based on cash, cash equivalents and short-term investments at December 31, 2008, a 0.25% decline in interest rates, with all other variables held constant, would result in a decrease in investment income $213,000, arising mainly as a result of an increase in the fair value of fixed rate financial assets classified as held-for-trading. If interest rates had been 0.25% higher, there would be an equal and opposite impact on net income.

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

20. Capital disclosures:

As at December 31, 2008, the Corporation considers its shareholders' equity as its capital. The Corporation does not have any bank debt or externally imposed capital requirements to which it is subject. The Corporation's objectives when managing capital are to manage its capital with strong fiscal discipline; focus on markets with high product and service revenue growth potential; license technology in cases where it is advantageous to the Corporation; and access available government funding for research and development projects. The Corporation's current financing principle is to maintain cash balances sufficient to fund at least six quarters of operating cash consumption at all times.

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

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

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

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

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

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

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

(d) Prior to 2002, under Canadian GAAP, no compensation expense was recorded for employee share option plans under the intrinsic value method. The option exchange plan (note 13(b)) was accounted for as a variable option plan under U.S. GAAP. Prior to the Corporation's 100% acquisition of BGS in 2003, minority interest under U.S. GAAP included the minority interest's percentage share of compensation expense under variable plan accounting. The balance of the purchase price allocated to goodwill from the acquisition of the minority interest in BGS reflects this difference under U.S. GAAP.

(e) Under Canadian GAAP, short-term investments are classified as held for trading and carried at fair market value with changes in fair market value recognized in net income. Under U.S. GAAP, the Corporation adopted Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159)", effective January 1, 2008 and elected to classify short-term investments as held for trading, making the treatment consistent with Canadian GAAP. Prior to that, the short-term investments were classified as available-for-sale and are carried at fair market value. As a result of the adoption of FAS 159, prior year gains of $4,733,000 have been reclassified from accumulated other comprehensive loss to accumulated deficit. Previously, unrealized holding gains and losses related to the short-term instruments were reflected as a separate component of shareholders' equity under accumulated other comprehensive income (loss).

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

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

(g) Under U.S. GAAP, Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132-R" (SFAS No. 158), requires an entity to recognize in its balance sheet the funded status of its defined benefit pension and post-retirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS No. 158 also requires an entity to recognize changes in the funded status of a defined benefit pension and post-retirement plan within accumulated other comprehensive income, net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost.

(h) Under Canadian GAAP, assets and liabilities held for sale are presented separately on the balance sheet classified as current and non-current. Under U.S. GAAP, non-current assets and liabilities held for sale are classified as current when the sale is expected to be completed within one year.

(i) Under Canadian GAAP, in-process research and development is amortized over its remaining useful life, which has been estimated as five years. Under U.S. GAAP, in-process research and development is written off immediately if it does not have any other alternative uses.

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

(k) Under US GAAP, effective January 1, 2007, the Corporation adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 established threshold and measurement attributes for financial statement measurement and recognition of tax positions taken or expected to be taken in a tax return. There is no similar standard under Canadian GAAP. The adoption of FIN 48 did not have a material impact on the Corporation's financial statements or require restatement on prior period financial statements under US GAAP.

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

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

Consolidated balance sheets:

	2008			2007		
	Canadian GAAP	Difference	U.S. GAAP	Canadian GAAP	Difference	U.S. GAAP
Current assets:						
Cash and cash equivalents	$ 54,086	$ —	$ 54,086	$ 49,340	$ —	$ 49,340
Short-term investments	31,313	—	31,313	96,234	—	96,234
Accounts receivable	18,856	—	18,856	18,963	—	18,963
Inventories	10,402	—	10,402	14,859	—	14,859
Prepaid expenses	1,434	—	1,434	1,740	—	1,740
Current assets held for sale (h)	—	—	—	105	16,286	16,391
	116,091	—	116,091	181,241	16,286	197,527
Property, plant and equipment	38,755	—	38,755	42,906	—	42,906
Intangible assets	3,726	—	3,726	4,303	—	4,303
Goodwill (d)	48,106	490	48,596	48,106	490	48,596
Investments (f)	1,765	—	1,765	3,250	(1,325)	1,925
Long-term assets held for sale (h)	—	—	—	16,286	(16,286)	—
Other long-term assets	—	—	—	2,599	—	2,599
	$ 208,443	$ 490	$ 208,933	$ 298,691	$ (835)	$ 297,856
Current liabilities:						
Accounts payable and accrued liabilities	$ 21,819	$ —	$ 21,819	$ 20,042	$ —	$ 20,042
Deferred revenue	947	—	947	169	—	169
Accrued warranty liabilities	3,841	—	3,841	752	—	752
Current liabilities held for sale	—	—	—	1,933	—	1,933
	26,607	—	26,607	22,896	—	22,896
Long-term liabilities (b) (g)	20,502	38,736	59,238	17,606	44,498	62,104
	47,109	38,736	85,845	40,502	44,498	85,000
Shareholders' equity:						
Share capital (a)	832,711	119,583	952,294	1,174,821	119,583	1,294,404
Additional paid-in capital (a) (c)	283,466	86,929	370,395	72,290	86,929	159,219
Accumulated deficit	(954,607)	(166,270)	(1,120,877)	(988,686)	(180,795)	(1,169,481)
Accumulated other comprehensive income (a) (e) (g)	(236)	(78,488)	(78,724)	(236)	(71,050)	(71,286)
Shareholders' equity	161,334	(38,246)	123,088	258,189	(45,333)	212,856
	$ 208,443	$ 490	$ 208,933	$ 298,691	$ (835)	$ 297,856

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

Consolidated statements of operations and comprehensive income (loss):

	2008	2007	2006
Income (loss) under Canadian GAAP	$ 34,079	$ (57,302)	$ (181,137)
Research and development (b)	94	163	(1,424)
Amortization of intangible assets (i)	—	—	1,375
Foreign exchange gain (loss) (b) (e)	8,373	(11,503)	(19)
Equity in loss in associated companies (f)	1,325	(853)	(75)
Net income (loss) under U.S. GAAP	43,871	(69,495)	(181,280)
Other comprehensive income:			
Change in unrealized holding gains (e)	—	4,733	—
Other (g)	(2,705)	1,672	—
Comprehensive income (loss) in accordance with U.S. GAAP	$ 41,166	$ (63,090)	$ (181,280)
Basic earnings (loss) per share, U.S. GAAP	$ 0.52	$ (0.61)	$ (1.60)
Diluted earnings (loss) per share, U.S. GAAP	$ 0.51	$ (0.61)	$ (1.60)

Consolidated statements of shareholders' equity:

	Share capital	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss	Total shareholders' equity
Balance, December 31, 2005	1,280,864	148,946	(918,706)	(75,875)	435,229
Net Loss	—	—	(181,280)	—	(181,280)
Adjustment to apply FAS 158	—	—	—	(1,816)	(1,816)
Issuance of common shares for c (net of issue costs)	5,909	—	—	—	5,909
Options exercised	34	—	—	—	34
Share distribution plan	2,554	4,918	—	—	7,472
Balance, December 31, 2006	1,289,361		(1,099,986)	(77,691)	265,548
Net Loss	—	—	(69,495)	—	(69,495)
Change in unrealized holding gains arising during the year	—	—	—	4,733	4,733
Other	—	—	—	1,672	1,672
Share distribution plan	5,043	5,355	—	—	10,398
Balance, December 31, 2007	$ 1,294,404	$ 159,219	$ (1,169,481)	$ (71,286)	$ 212,856
Net Income	—	—	43,871	—	43,871
Cumulative effect of adoption of FAS 159 (e)	—	—	4,733	(4,733)	—
Cancellation of common shares upon disposition of assets held for sale	(349,438)	175,538	—	—	(173,900)
Non-dilutive financing	—	33,812	—	—	33,812
Other	—	—	—	(2,705)	(2,705)
RSUs and DSUs redeemed	2,557	(2,557)	—	—	—
Share distribution plan	4,771	4,383	—	—	9,154
Balance, December 31, 2008	$ 952,294	$ 370,395	$ (1,120,877)	$ (78,724)	$ 123,088

BASIS OF PRESENTATION

The information below should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2008. Our consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The effect of significant differences between Canadian and U.S. GAAP has been disclosed in note 21 to the consolidated financial statements for the year ended December 31, 2008. Unless the context otherwise requires, all references to "Ballard", "the Company", "we", "us" and "our" refer to Ballard Power Systems Inc. and its subsidiaries. This discussion and analysis is dated March 2, 2009.

All amounts in this report are in U.S. dollars, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are based on the beliefs of management and reflect our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Exchange Act of 1934, as amended**.** Such statements include, but are not limited to, statements with respect to our objectives, goals and outlook including our estimated product shipments, revenue and operating cash consumption (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 specific assumptions relating to our expectations with respect to the generation of new sales, producing, delivering and selling the expected product volumes at the expected prices, and controlling our costs. They are also based on a variety of general factors and assumptions including, but not limited to, our expectations regarding product development efforts, manufacturing capacity, product pricing, market demand, and the availability and prices of raw materials, labour and supplies. These assumptions have been derived from information available to the Company including information obtained by the Company from third parties. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from the results expressed, implied or forecasted in such forward-looking statements include, but are not limited to: the condition of the global economy; the rate of mass adoption of our products; changes in product pricing; changes in our customers' requirements, the competitive environment and related market conditions; product development delays; changes in the availability or price of raw materials, labour and supplies; our ability to attract and retain business partners, suppliers, employees and customers; changing environmental regulations; our access to funding and our ability to provide the capital required for product development, operations and marketing efforts; our ability to protect our intellectual property; the magnitude of the rate of change of the Canadian dollar versus the U.S. dollar; and the general assumption that none of the risks identified in the Risks and Uncertainties section of this report or in our most recent Annual Information Form will materialize. Readers should not place undue reliance on Ballard's forward-looking statements.

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

BUSINESS OVERVIEW

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

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from water through electrolysis. As long as fuel is supplied, the fuel cell produces electricity efficiently and continuously without combustion, with water and heat as the main by-products when hydrogen is used as the fuel source.

Ballard® fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, modular design and environmental cleanliness.

Over the past three years, the Company implemented a strategy to focus on key growth opportunities with near-term commercial prospects. We sold our automotive fuel cell systems operations to DaimlerChrysler AG ("Daimler") and Ford Motor Company ("Ford") on August 31, 2005. We subsequently sold our electric drive operations to Siemens VDO Automotive Corporation ("Siemens VDO") on February 15, 2007. Finally, we completed our exit from the fuel cell car business by selling our automotive fuel cell research and development assets to Daimler, Ford and a newly created private corporation, AFCC Automotive Fuel Cell Cooperation Corp. ("AFCC"). We completed this transaction (the "AFCC Transaction") on January 31, 2008, we completed the AFCC Agreement and recorded a gain of $96.8 million. Under the terms of the AFCC Transaction, we transferred to Daimler, Ford and AFCC our automotive patents, automotive fuel cell test equipment, automotive fuel cell inventory, $60 million in cash, all automotive fuel cell warranty liabilities and automotive fuel cell development contracts between Ballard, Daimler and Ford, 80.1% of the outstanding shares of AFCC, 112 personnel, and a royalty free, sub-licensable license to the remaining Ballard intellectual property for use in automotive applications. In exchange, Daimler and Ford returned to us an aggregate of 34,261,298 of our common shares valued at $173.9 million, one Class A share and one Class B share, collectively representing Daimler and Ford's entire direct and indirect equity interest in Ballard. These shares were then cancelled. In accordance with GAAP, the operations of our automotive segment disposed of in the AFCC Transaction have not been presented as discontinued operations due to our continuing relationship with AFCC and the provision of product and services subsequent to the sale of the automotive assets. As a result, comparative figures have not been restated. See note 3 to our consolidated financial statements. After the closing of the AFCC Transaction, our automotive segment's focus is on fuel cell buses and contract technical and manufacturing services.

Following completion of these dispositions, we identified a way to extract value from our tax attributes in 2008 through a restructuring transaction with Superior Plus Income Fund ("Superior Plus") resulting in a non-dilutive financing with net cash proceeds of $33.8 million (Canadian $41.2 million). Pursuant to this corporate reorganization, completed on December 31, 2008 under a Plan of Arrangement ("Arrangement"), Superior Plus transferred $38.0 million (Canadian $46.3 million) to us. We subsequently transferred all of our assets and liabilities (including the net cash proceeds from this Arrangement of $33.8 million, but excluding our historic Canadian income tax carry forward attributes), to the Company. Ballard shareholders exchanged their old shares, on a one-for-one basis, for shares of the Company. The Company will now carry on the full scope of our business of the design, development, manufacture, sale and service of hydrogen fuel cells for a variety of applications and will hold all rights to intellectual property as we held prior to the completion of the Arrangement. As part of the Arrangement, Superior Plus' unitholders obtained new shares of the old Ballard entity. That entity will retain Ballard's historic Canadian income tax carry forward attributes.

As the transfer of the business assets, liabilities and operations from old Ballard to the Company represented a transaction with no change in shareholder ownership, the transaction was accounted for using continuity of interest accounting. Pursuant to continuity of interest accounting, the assets transferred and liabilities assumed were recorded at their carrying values as reported by old Ballard immediately prior to the completion of the Arrangement. As a result, the net cash proceeds of $33.8 million (Canadian $41.2 million) were recorded as a credit to shareholders' equity. In addition, as the future income tax benefits of old Ballard's Canadian non-capital losses, capital losses, scientific research and development expenditures and investment tax credits generated through to the date of the completion of the Arrangement are not available to the Company after the completion of the Arrangement, the gross future income tax assets related to these Canadian tax pools was reduced to nil, with a corresponding reduction of the related valuation allowance. Details of the Arrangement are described more fully in our Management Information Circular dated November 14, 2008. See also note 2 to our consolidated financial statements.

We are based in Canada, with head office, research and development, testing and manufacturing facilities in Burnaby, British Columbia. In addition, we have sales, research and development and manufacturing facilities in Lowell, Massachusetts. We also participate in a joint venture, EBARA BALLARD Corporation ("EBARA BALLARD"), in Tokyo, Japan that develops, manufactures and sells fuel cell stationary power products to customers in Japan.

In 2008, we operated in three market segments:

1. Power Generation: Fuel cell products and services for material handling, back-up power and residential cogeneration purposes;

2. Power Automotive: Fuel cell products and services for fuel cell cars, vans and buses; and

3. Material Products: Carbon fiber products primarily for automotive transmissions and gas diffusion layers ("GDL") for fuel cells.

SELECTED ANNUAL FINANCIAL INFORMATION

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

		2008		2007		2006
Product and service revenues	**$**	**52,726**	$	43,352	$	36,535
Engineering development revenue		**6,854**		22,180	$	13,288
Total revenues	$	**59,580**	$	65,532	$	49,823
Net income (loss)	$	**34,079**	$	(57,302)	$	(181,137)
Net income (loss) per share	$	**0.40**	$	(0.50)	$	(1.60)
Income (loss) from continuing operations	$	**34,079**	$	(56,809)	$	(56,994)
Income (loss) per share from continuing operations	$	**0.40**	$	(0.50)	$	(0.50)
Normalized net loss (1)	$	**(59,954)**	$	(52,226)	$	(56,216)
Normalized net loss per share (1)	$	**(0.71)**	$	(0.46)	$	(0.50)
Operating cash consumption (1)	$	**(29,294)**	$	(38,229)	$	(51,339)
Cash, cash equivalents and short-term investments	$	**85,399**	$	145,574	$	187,072
Total assets	$	**208,443**	$	298,691	$	356,268

[1] Normalized net loss and operating cash consumption 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 Non-GAAP Measures section.

FINANCIAL OVERVIEW – Year ended December 31, 2008

In 2008, our revenues decreased 9% to $59.6 million from $65.5 million in 2007, meeting our revised guidance range of $58 to $64 million. However, adjusting for light-duty automotive engineering development revenue in 2008 and 2007 which relates to the business sold to AFCC of $1.6 million and $15.8 million, respectively, pro forma revenues increased $8.2 million, or 17%, in 2008 compared to 2007.

We reduced operating cash consumption in 2008 (see non-GAAP measures section) by 23% to $29.3 million, down from $38.2 million in 2007, meeting our guidance range of $20-$30 million despite the negative impact of foreign exchange losses on our Canadian monetary assets in the fourth quarter of 2008.

Revenue

While overall revenue for 2008 declined 9%, or $6.0 million, compared to 2007, product and service revenues increased 22%, or $9.4 million, due to higher shipments of bus, material handling, light duty automotive and back-up power fuel cell products and to new testing and engineering services to AFCC which were only partially offset by lower shipments of residential cogeneration and carbon fiber products. Engineering development revenue declined $15.3 million primarily as a result of the elimination of light-duty automotive fuel cell program work subsequent to the closing of the AFCC Transaction on January 31, 2008.

Net income (loss)

Our net income for 2008 increased to $34.1 million, or $0.40 per share, compared with a net loss of $57.3 million, or ($0.50) per share, in 2007. Net income for 2008 includes a gain on sale of assets of $96.8 million resulting from the AFCC Transaction partially offset by the write-down of a non-core investment in Chrysalix Energy Limited Partnership (“Chrysalix”) of $3.0 million. Net loss for 2007 includes a write-down of our non-core investment in Advanced Energy Inc. (“Advanced Energy”) of $4.6 million and a loss from discontinued operations of $0.5 million.

Normalized net loss

Our normalized net loss (see Non-GAAP Measures) for 2008 increased to $60.0 million, or ($0.71) per share, compared with a normalized net loss of $52.2 million, or ($0.46) per share, for 2007. The primary reasons for the $7.7 million higher normalized net loss in 2008 were due to decreases in foreign exchange gains of $12.4 million and decreases in investment income of $6.2 million. Decreases in product and service gross margins of $13.0 million and engineering development revenues of $15.3 million were more than offset by decreases in operating expenses of $29.3 million and depreciation and amortization of $9.7 million. Lower gross margins were driven by larger reductions in warranty provisions in 2007 compared to 2008, combined with reduced field service activities for fuel cell buses and more aggressive product pricing and enhanced warranty coverage on material handling products in order to escalate market adoption. This was partially offset by improved gross margin as a result of new testing and engineering services provided to AFCC and increased fuel cell bus margins as a result of the B.C. Transit 2010 Olympic fuel cell bus program. The decline in operating expenses was driven by lower research and development expenses on automotive fuel cell programs as a result of the AFCC Transaction. The increase in normalized net loss on a per share basis was due primarily to the 30% reduction in the number of common shares outstanding as a result of the AFCC Transaction.

Operating cash consumption

Operating cash consumption (see Non-GAAP Measures) for 2008 decreased 23% to $29.3 million, compared to $38.2 million for 2007. The $8.9 million improvement in operating cash consumption was driven primarily by lower working capital requirements, lower operating expenses and lower net capital expenditures, partially offset by lower foreign exchange gains of $12.4 million, a decline in investment income of $6.2 million and lower product and service gross margins and engineering development revenues.

FINANCIAL OVERVIEW – Quarter ended December 31, 2008

Revenue

Our revenues for the fourth quarter of 2008 decreased 6% to $18.9 million, compared to $20.1 million for the same period of 2007. However, adjusting for light-duty automotive engineering development revenue in the fourth quarter of 2007 which relates to the business sold to AFCC of $8.4 million, pro forma revenues increased $7.2 million, or 61%, in the fourth quarter of 2008 compared to 2007. Product and service revenues increased 76%, or $8.0 million, due to bus shipments for the B.C. Transit 2010 Olympic fuel cell bus program combined with higher shipments of material handling, back-up power and carbon fiber products partially offset by lower shipments of residential cogeneration products. Engineering development revenue declined $9.2 million primarily as a result of the elimination of light-duty automotive fuel cell program work subsequent to the closing of the AFCC Transaction on January 31, 2008.

Net income (loss)

Our net loss for the fourth quarter of 2008 increased to $18.0 million, or ($0.22) per share, compared with a net loss of $15.9 million, or ($0.14) per share, in the fourth quarter of 2007. The primary reasons for the $2.1 million higher net loss in the fourth quarter of 2008 was due to increases in foreign exchange losses of $3.6 million and decreases in investment income of $1.8 million. Decreases in product and service gross margins of $2.4 million and engineering development revenues of $9.2 million were more than offset by decreases in operating expenses of $14.1 million and depreciation and amortization of $3.0 million. Lower gross margins were driven by larger reductions in warranty provisions in the fourth quarter of 2007 compared to the fourth quarter of 2008 and more aggressive product pricing and enhanced warranty coverage on material handling products in order to encourage market adoption, partially offset by improved gross margin as a result of new testing and engineering services provided to AFCC and increased fuel cell bus margins as a result of the B.C. Transit 2010 Olympic fuel cell bus program. The decline in operating expenses was driven by lower research and development expenses on automotive fuel cell programs as a result of the AFCC Transaction. The increase in net loss per share was primarily due to the 30% reduction in the number of common shares outstanding as a result of the AFCC Transaction. Net loss for the fourth quarter of 2008 also includes a $3.0 million write-down of a non-core investment in Chrysalix and the net loss for the fourth quarter of 2007 includes a $4.6 million write-down of a non-core investment in Advanced Energy.

Operating cash consumption

Operating cash consumption (see Non-GAAP Measures) for the fourth quarter of 2008 decreased 31% to $8.5 million, compared to $12.4 million for the fourth quarter of 2007. The $3.8 million improvement in operating cash consumption was driven primarily by lower working capital requirements, lower operating expenses and lower net capital expenditures, partially offset by increased foreign exchange losses, a decline in investment income and lower product and service gross margins and engineering development revenues.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. We have identified the policies below as critical to our business operations and an understanding of our results of operations. The application of these and other accounting policies are described in note 1 to the consolidated financial statements. Our preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

REVENUE RECOGNITION

We earn revenues under certain contracts to provide engineering development services. These contracts provide for the payment for services based on our achieving defined milestones or on the performance of work under our product development programs. Revenues are recognized under these contracts based on assessments of progress achieved against these milestones or on the proportionate performance method of accounting. 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 percentage of work completed could change. Should this occur, the revenues recognized in the period might require adjustment in a subsequent period.

Under the terms of certain other contracts under which we earn product and engineering service revenue, revenue is recognized based on the proportion of performance completed. There is a risk that estimated costs to complete a contract might change, which may result in an adjustment to previously recognized revenues.

During the years ended December 31, 2008 and 2007, there were no material adjustments to engineering development revenue and product and service revenue relating to revenue recognized in a prior period.

WARRANTY PROVISION

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liabilities, we estimate the likelihood that products sold will experience warranty claims and the cost to resolve claims received. In making such determinations, we use estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, we may incur costs different from those provided for in our warranty provisions. During the years ended December 31, 2008 and 2007 we recorded provisions to accrued warranty liabilities of $4.4 million and $0.8 million, respectively, for new product sales.

We review our warranty assumptions and make adjustments to accrued warranty liabilities quarterly based on the latest information available and to reflect the expiry of contractual obligations. Adjustments to accrued warranty liabilities are recorded in cost of product and service revenues. As a result of these reviews, we recorded adjustments that reduced accrued warranty liabilities by $0.4 million and $8.9 million, respectively, for the years ended December 31, 2008 and 2007. The 2008 adjustments to reduce accrued warranty liabilities were primarily due to contractual expirations and improved lifetimes of our Power Generation fuel cells. The 2007 adjustments to reduce accrued warranty liabilities were primarily due to cost reductions, contractual expirations and improved lifetimes of our Automotive fuel cells.

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 year ended December 31, 2008 and 2007, inventory provisions of $0.7million and $1.4 million, respectively, were recorded as a charge to cost of product and service revenues.

INVESTMENTS

We have made strategic investments in other companies or partnerships that are developing technology with potential fuel cell applications. Each of these investments is either accounted for by the equity method or carried at cost, depending on whether or not we have the ability to exercise significant influence over the company or partnership. We regularly review such investments and should circumstances indicate that an impairment of value has occurred that is other than temporary, we would record this impairment in the earnings of the current period. Given that these entities are in the development stage, there is significant judgment required in determining whether an impairment has occurred in the value of these investments that must be recorded. During the year ended December 31, 2008, we recorded a $3.0 million write-down of our non-core investment in Chrysalix. During the year ended December 31, 2007, we recorded a $4.6 million write-down of our non-core investment in Advanced Energy to $0.5 million, representing proceeds received of $0.5 million.

INTANGIBLE ASSETS AND GOODWILL

In accordance with Canadian GAAP, we do not amortize goodwill, and we amortize intangible assets over periods ranging from five to 15 years. At least annually, we review the carrying value of our intangible assets and goodwill by segment for potential impairment. Among other things, this review considers the fair value of the business based on discounted estimated cash flows. If circumstances indicate that impairment in the value of these assets has occurred, we would record this impairment in the earnings of the current period. During the year ended December 31, 2008, no write-downs of intangible assets or goodwill were recorded. During the year ended December 31, 2007, we recorded a $1.4 million charge to amortization expense for patents no longer in use.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Convergence with International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by public companies, will be converged with International Financial Reporting Standards ("IFRS") effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for us for the first quarter of 2011 when we will prepare both the current and comparative financial information using IFRS.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. We commenced our IFRS conversion project in the second quarter of 2008. The project consists of four phases: awareness raising; assessment; design; and implementation. With the assistance of an external expert advisor, we have completed the awareness-raising phase and have begun a high level review of the major differences between Canadian GAAP and IFRS (the assessment phase). It is expected that this work will be completed during 2009. Subsequently, we will initiate the design phase, which will involve establishing issue-specific work teams to focus on generating options and making recommendations in identified areas. We will also establish a communications plan, begin to develop staff training programs, and evaluate the impacts of the IFRS transition on other business activities.

Capital Disclosures

In 2008, we adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for capital disclosures (CICA Handbook Section 1535). This new section establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires us to disclose (i) our objectives, policies and processes for managing capital; (ii) summary quantitative data about what we manage as capital; (iii) whether during the period we complied with any externally imposed capital requirements to which we are subject; and (iv) if we have not complied with such requirements, the consequences of such non-compliance. See note 20 to our consolidated financial statements.

Goodwill and Intangible Assets

In 2008, we elected to early adopt the new recommendations of the CICA for accounting for "Goodwill and Intangible Assets" (CICA Handbook Section 3064). This new section will replace the existing standards for "Goodwill and Other Intangible Assets" (CICA Handbook Section 3062) and "Research and Development Costs" (CICA Handbook Section 3450). The new standard (i) states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria; (ii) provides guidance on the recognition of internally generated intangible assets including research and development costs; and (iii) carries forward the current requirements of Section 3062 for subsequent measurement and disclosure of intangible assets and goodwill. As we have historically expensed all research and development costs as incurred, we were not materially impacted by the implementation of this new standard for the years ended December 31, 2008 and 2007.

RESULTS OF OPERATIONS

Revenues for the year ended December 31, 2008 were $59.6 million, a $6.0 million, or 9% decrease from 2008. Increases in product and service revenue of $9.4 million, or 22%, were offset by declines in engineering development revenue of $15.3 million, or 69%, primarily as a result of the AFCC Transaction.

The following table provides a breakdown of our revenues for the reported periods:

(Expressed in thousands of U.S. dollars)	Years Ended December 31,								
	2008			2007			2006		
	Product and Service	**Engineering Development**	**Total**	Product and Service	Engineering Development	Total	Product and Service	Engineering Development	Total
Power Generation	**$ 12,581**	**$ 4,032**	**$ 16,613**	$ 13,033	$ 6,399	$ 19,432	$ 7,314	$ 5,972	$ 13,286
Automotive	**27,462**	**2,822**	**30,284**	16,254	15,781	32,035	17,764	7,316	25,080
Material Products	**12,683**	**—**	**12,683**	14,065	—	14,065	11,457	—	11,457
	$ 52,726	**$ 6,854**	**$ 59,580**	$ 43,352	$ 22,180	$ 65,532	$ 36,535	$ 13,288	$ 49,823

Power Generation product and service revenues for the year ended December 31, 2008 declined $0.5 million, or 3%, compared to 2007. Increased product shipments and a change in sales mix towards higher power units in the material handling market combined with higher shipments in the back-up power market were offset by lower residential cogeneration market sales and lower non-recurring engineering service revenues for government contracts in the material handling market. The decline in residential cogeneration market sales was expected due to the introduction in 2008 of a new lower cost product combined with the delivery of fuel cell MEAs instead of fuel cell stacks as the fuel cell stacks will be assembled in Japan by our joint venture, EBARA BALLARD.

Power Generation engineering development revenues for the year ended December 31, 2008 were reduced $2.4 million, or 37%, compared to 2007. Revenues are derived from our 1kW residential cogeneration fuel cell program and reflect the percentage of completed performance of our development program for our customer, the related costs of which were included in research and development expenses. As expected, the decline is due to the completion at the end of the third quarter of 2008 of our current agreement with EBARA and EBARA BALLARD for the development of our 1kW residential cogeneration fuel cell stack. Since 2005, we have recorded $18.0 million of engineering development revenue from EBARA BALLARD, representing the full amount earned for the performance of work under this development program.

Automotive product and service revenues increased $11.2 million, or 69%, for the year ended December 31, 2008, compared to 2007. Increased automotive service revenues derived from new testing and engineering services provided to AFCC combined with the commencement of shipments of fuel cell bus modules related to the B.C. Transit 2010 Olympic fuel cell bus program (which contributed $6.0 million to revenue in December 2008) and increased light duty automotive product shipments at lower prices to AFCC were partially offset by the expected decline in field service revenues for fuel cell buses due to a lower number of fuel cell buses under service contracts.

Automotive engineering development revenue for the year ended December 31, 2008 decreased $13.0 million, or 82%, compared to 2007. The decline in 2008 is due primarily to the closing of the AFCC Transaction on January 31, 2008 resulting in only one month of automotive development revenues in 2008 compared to a year of revenue in 2007. This decrease was only partially offset by engineering development revenue related to the test bus phase of the B.C. Transit 2010 Olympic fuel cell bus program. The costs associated with these engineering development revenues are included in research and development expenses.

Material Products revenues for the year ended December 31, 2008 decreased $1.4 million, or 10%, compared to 2007, due primarily to decreased customer volumes as a result of the impact of a three month labor strike affecting a key customer prior to its resolution in May 2008 combined with lower automotive sales due to the current unprecedented slow down in the U.S. automotive industry.

Power Generation product and service revenues for the year ended December 31, 2007 increased $5.7 million, or 78%, compared to 2006. Higher non-recurring engineering service revenues for government contracts in the material handling and back-up power markets primarily drove the increase in the year. Increased unit sales of cogeneration, material handling and back-up power fuel cell products, partially offset by lower pricing, also contributed to the increase. Power Generation engineering development revenues for the year ended December 31, 2007 increased $0.4 million, or 7%, compared to 2006, and were derived from our 1kW residential cogeneration fuel cell program.

Automotive product and service revenues for the year ended December 31, 2007 decreased $1.5 million, or 9%, compared to 2006. Increased automotive fuel cell product shipments were offset by a decline in automotive service revenues due to a lower number of fuel cell buses under service contracts. The decline in field service revenues for fuel cell buses was expected as the field trials were winding down. Automotive service revenues were primarily earned from field service activities supporting fuel cell buses in Europe, Australia and China.

Automotive engineering development revenue for the year ended December 31, 2007 increased $8.5 million, or 116%, compared to 2006. The increase in automotive engineering development revenue reflects the planned timing of performance of work and timing of achievement of development milestones under our automotive fuel cell development program for our customers, the related costs of which are included in research and development expenses.

Material Products revenues for year ended December 31, 2007 increased $2.6 million, or 23%, compared to 2006, due primarily to increased customer volumes.

Cost of product and service revenues for the year ended December 31, 2008 were $47.4 million, an increase of $22.3 million, or 89%, compared to 2007. The $22.3 million increase for the year was driven by lower reversals of accrued warranty liabilities in 2008 as compared to 2007, increased product shipments in the bus, material handling, back-up power and automotive markets, enhanced warranty terms and a change in sales mix towards higher power units in the material handling market and costs incurred for new automotive testing and engineering services provided to AFCC. These increases were partially offset by lower residential cogeneration product costs due to the delivery of fuel cell MEAs instead of fuel cell stacks and reduced service costs related to fewer fuel cell buses under service contracts. As mentioned above, cost of product sales was lower in 2007 compared to 2008 due in part to the reversal of accrued warranty liabilities of $8.9 million in 2007, compared to $0.4 million in 2008. The 2007 reductions in accrued warranty liabilities were primarily due to cost reductions, contractual expirations and improved lifetime for our Automotive fuel cells whereas the 2008 reductions were primarily due to contractual expirations and improved lifetimes of our Power Generation fuel cells.

Gross margins on product and service revenues declined in 2008 to $5.3 million, compared to $18.3 million for 2007. This year over year decrease of $13.0 million was driven by larger reductions in warranty provisions for 2007 compared to 2008, more aggressive product pricing and enhanced warranty coverage on material handling products in order to encourage market adoption, declines in field service revenues for fuel cell buses, declines in service revenue and higher program expenditures on Power Generation non-recurring engineering government contracts, and lower volumes of carbon fiber products due to the effects of a labor strike affecting a key customer (resolved in the second quarter of 2008) and the slow down in the U.S. automotive industry. These declines were only partially offset by increased margins as a result of new testing and engineering services provided to AFCC and the commencement of shipments of fuel cell bus modules related to the B.C. Transit 2010 Olympic fuel cell bus project.

Cost of product and service revenuesfor the year ended December 31, 2007 were $25.1 million, an increase of $3.8 million, or 18%, compared to 2006. The $3.8 million increase for 2007 was driven by higher automotive and cogeneration product shipments and costs incurred for new government contracts in the material handling market partially offset by lower costs related to automotive service revenues due to a lower number of fuel cell buses under service contracts. Cost of product and service revenue was also affected by the reduction of warranty provisions of $8.9 million in 2007 compared to $5.8 million in 2006. The reductions in accrued warranty liabilities were primarily due to cost reductions, contractual expirations and improved lifetime for our automotive fuel cells. Gross margins on product and service revenues improved in 2007 to $18.3 million, compared to $15.3 million in 2006. This increase was driven by the reductions in warranty provisions mentioned above combined with increased volumes in our carbon fiber products, partially offset by lower gross margins in our Power Generation segment as increased volumes were offset by lower sales prices, and lower gross margins in our Automotive segment as declines in field service for buses offset increased margins on automotive fuel cell products.

Research and product development expenses for the year ended December 31, 2008 were $37.2 million, a decrease of $21.3 million, or 36%, compared to 2007. This decline in expenditures is due primarily to the disposition of our automotive fuel cell development programs on the closing of the AFCC Transaction, partially offset by increased investment in our Power Generation and fuel cell bus programs and the negative effects of a stronger Canadian dollar, relative to the U.S. dollar. Lower operating expenses in the fourth quarter of 2008 as a result of a weakening Canadian dollar only partially offset the negative impacts of a stronger Canadian dollar in the first three quarters of 2008, compared to the corresponding periods of 2007.

Included in research and product development expenses for the year ended December 31, 2008, were costs of $5.9 million related to our achievement of predefined milestones for our customers under the development programs for which we earned engineering development revenue. These same costs for the year ended December 31, 2007 were $25.3 million.

Research and product development expenses for the year ended December 31, 2007 were $58.5 million, an increase of $6.2 million, or 12%, compared to 2006. The increase in expenditures in 2007 related primarily to the negative effect of a stronger Canadian dollar, relative to the U.S. dollar, combined with increased investment in our Power Generation and fuel cell bus programs. Included in research and product development expenses for 2007 were costs of $25.3 million, compared to $22.9 million in 2006, related to our achievement of predefined milestones for our customers under the development programs for which we earned engineering development revenue.

General and administrative expenses for the year ended December 31, 2008 were $12.6 million, a decrease of $6.5 million, or 34%, compared to 2007. The decrease in 2008 is due to lower labour costs and training and insurance expenditures combined with the 2007 impact of severance and related costs of approximately $4.1 million incurred in conjunction with the AFCC Transaction. Income earned in 2008 from administrative service agreements with AFCC of $1.5 million is recorded as other income.

General and administrative expenses for the year ended December 31, 2007 were $19.1 million, an increase of $5.8 million, or 44%, compared to 2006. The overall increase is due primarily to severance and related costs of approximately $4.1 million incurred in conjunction with the AFCC Transaction, the negative effects of a stronger Canadian dollar, relative to the U.S. dollar, and a one-time commodity tax refund received in 2006.

Marketing and business development expenses for the year ended December 31, 2008 were $7.5 million, a decrease of $1.5 million, or 17%, compared to 2007. The decrease is primarily due to decreased marketing development support for our light duty automotive market.

Marketing and business development expenses for the year ended December 31, 2007 were $9.0 million, an increase of $1.8 million, or 24%, compared to 2006. The overall increase is primarily due to increased marketing development support for our Power Generation markets combined with the negative effects of a stronger Canadian dollar, relative to the U.S. dollar.

Depreciation and amortization was $6.0 million for the year ended December 31, 2008, a decrease of $9.7 million, or 62%, compared to 2007. Depreciation and amortization has declined in 2008 as several assets became fully depreciated or amortized during 2007 and certain intangible assets were disposed of in the AFCC Transaction.

Depreciation and amortization was $15.7 million for the year ended December 31, 2007, a decrease of $0.7 million, or 4%, compared to 2006. Certain intangible assets became fully amortized at the end of 2006, resulting in the decline in depreciation and amortization. We also stopped recording depreciation and amortization expense in November 2007 on the long-lived assets included in the AFCC Transaction and reclassified them to assets held for sale due to our decision to dispose of the assets at that time. This overall decline in depreciation and amortization expense for 2007 was partially offset by a $1.4 million charge to amortization expense for patents that were no longer in use.

Investment and other income (loss)was negative $0.2 million for the year ended December 31, 2008, compared to income of $16.9 million for 2007.

The following table provides a breakdown of our investment and other income and foreign exchange gain for the reported periods:

(Expressed in thousands of U.S. dollars)	Years Ended December 31,		
	2008	2007	2006
Investment income	**$ 2,012**	$ 8,207	$ 9,913
Foreign exchange gain (loss)	**(3,653)**	8,726	19
Other income	**1,455**	—	—
Investment and other income (loss)	$ **(186)**	$ 16,933	$ 9,932

Investment income was $2.0 million for the year ended December 31, 2008, a decrease of $6.2 million, or 75%, compared to 2007. The decrease was a result of lower average cash balances in 2008 compared to 2007 due primarily to the $60 million cash transfer in the AFCC Transaction, combined with declining interest rates in the last half of 2007 and into 2008. We classify our cash, cash equivalents and short-term investments as held-for-trading and measure these assets at fair value with changes in fair value recognized in income. The fair values are determined directly by

reference to quoted market prices. During 2008, the investment market was negatively impacted by liquidity and credit market concerns along with increased concerns about a global economic slowdown. We continue to review our exposure to these issues and have determined that there are no material impacts on our investment portfolio. In addition, we do not hold any asset-backed commercial paper that was issued by a non-bank trust.

Foreign exchange gains and losses are attributable to the effect of the changes in the value of the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated net monetary assets and on outstanding foreign exchange contracts to buy or sell Canadian dollars over the respective periods. The foreign exchange loss of $3.7 million for 2008 resulted from the weakening of the Canadian dollar in 2008. Compared to the U.S. dollar, the Canadian dollar has weakened in 2008 from 0.99 at December 31, 2007 to 1.22 at December 31, 2008. In addition to foreign exchange contracts, we hold Canadian dollar cash and short-term investments to reduce the foreign currency risk inherent in expenditures denominated in Canadian dollars. Our foreign denominated cash and short-term investments do not qualify for hedge accounting and therefore foreign exchange gains and losses are recognized when they occur.

See note 19 to the consolidated financial statements for additional information about the significance of financial instruments to our financial position and performance, the nature and extent of risks arising from those financial instruments to which we are exposed, and how we manage those risks.

Other income was $1.5 million for the year ended December 31, 2008 and relates to administrative services contracts with AFCC under which we provide accounting, supply chain, human resources, information technology, facilities and other administrative support.

Investment and other income for the year ended December 31, 2007 was $16.9 million, an increase of $7.0 million, or 70%, compared to 2006. The increase is due to foreign exchange gains in 2007 of $8.7 million partially offset by lower investment income of $1.7 million. Foreign exchange gains in 2007 were a result of movements in the Canadian dollar relative to the U.S. dollar on our net monetary assets and liabilities. Compared to the U.S. dollar, the Canadian dollar strengthened from 1.17 at December 31, 2006 to 0.99 at December 31, 2007. Investment income declined in 2007 due to lower average cash balances in 2007 compared to 2006 combined with declining interest rates in the last half of 2007.

Loss on disposal and write-down of long-lived assets were $2.8 million for the year ended December 31, 2008, compared to $4.6 million and $0.8 million for the corresponding periods in 2007 and 2006, respectively. The expense in 2008 is primarily a result of a $3.0 million write-down in our investment in Chrysalix to $0.5 million, representing estimated net realizable value. The expense in 2007 is a result of a $4.6 million write-down in our investment in Advanced Energy to $0.5 million, representing proceeds on sale received in the fourth quarter of 2007. The expense in 2006 is primarily a result of a loss on disposal of our investment in QuestAir of $0.6 million.

Gain on assets held for sale was $96.8 million for the year ended December 31, 2008 reflecting the disposition of automotive assets pursuant to the AFCC Transaction.

Equity in loss of associated companies was $8.6 million for the year ended December 31, 2008, compared to $7.4 million and $7.0 million in 2007 and 2006, respectively, and relate to our share of the losses of EBARA BALLARD. The increase in equity losses in 2008 is due to the negative effects of a stronger Yen, relative to the U.S. dollar, combined with EBARA BALLARD's introduction of its next generation system product in Japan and increased residential cogeneration market development activities.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Cash, cash equivalents and short-term investments were $85.4 million as at December 31, 2008, compared to $145.6 million at the end of 2007. The decrease of $60.2 million in 2008 was driven

by the transfer of $60 million to Daimler, Ford and AFCC as part of the AFCC Transaction combined with a net loss (excluding non-cash items) of $35.1 million, net investment in EBARA BALLARD of $5.9 million and net capital expenditures of $3.1 million partially offset by working capital cash inflows of $8.9 million and proceeds from the non-dilutive financing Arrangement with Superior of $36.9 million.

For the year ended December 31, 2008, working capital requirements resulted in cash inflows of $8.9 million compared to cash outflows of $13.8 million for 2007. In 2008, working capital cash inflows were driven by lower inventory of $4.5 million due to higher fourth quarter Power Generation shipments and fuel cell bus product shipments combined with improved inventory management and increased platinum recoveries, higher accrued warranty liabilities of $3.1 million as a result of the above noted fourth quarter product shipments, and higher deferred revenue of $0.8 million due to the timing of payments on pre-funded contracts.

For the year ended December 31, 2007, working capital requirements resulted in cash outflows of $13.8 million compared to $12.3 million for 2006. In 2007, cash outflows were impacted by higher accounts receivable of $4.1 million due to higher fourth quarter engineering development revenue compared to the prior year and the timing of collections of our product and engineering development revenues, combined with increased working capital requirements of $4.6 million related to assets and liabilities held for sale. The $4.6 million cash outflow from current assets and current liabilities held for sale primarily represent lower accrued warranty liabilities to service our automotive fuel cells, along with warranty adjustments for expirations, lower projected costs and improved lifetimes. Cash outflows from accounts payable and accrued liabilities of $1.7 million were primarily due to the timing of payments combined with lower accrued liabilities as a result of settlement in the year of previously disputed amounts, partially offset by increased employee bonus accruals.

Investing activities resulted in cash outflows of $6.0 million for the year ended December 31, 2008, compared to cash inflows of $19.8 million in 2007. Changes in short-term investments resulted in cash inflows of $64.9 million in 2008 as compared to inflows of $29.4 million in 2007 as balances changed between cash equivalents and short-term investments as we made investment decisions with regards to the term of investments in response to changes in yield curves in order to improve our investment returns and in response to the $60 million funding requirement to close the AFCC Transaction in the first quarter of 2008. Net capital spending of $3.1 million in 2008 was primarily for manufacturing equipment, compared to net capital spending in 2007 of $6.4 million primarily for manufacturing, test and computer equipment. The cash flows used for other investing activities in 2008 of $6.2 million represent a net investment in EBARA BALLARD of $5.9 million, comprising of an additional investment of $11.2 million offset by licensing cash receipts of $5.3 million, combined with an investment in Chrysalix of $0.3 million. The cash flows used for other investing activities of $3.3 million in 2007 represent a net investment in EBARA BALLARD comprising of an additional investment of $8.4 million offset by licensing cash receipts of $5.3 million, combined with an investment in Chrysalix of $0.2 million. During 2007, we also disposed of net assets of $1.8 million related to the finalization of the sale of our electric drive business.

Investing activities resulted in cash outflows of $50.8 million during 2006. Changes in short-term investments resulted in cash outflows of $41.6 million as balances changed between cash equivalents and short-term investments. Net capital spending in 2006 of $8.7 million was primarily for manufacturing, test stands and computer equipment. During 2006, we sold our investment in QuestAir for proceeds of $3.3 million and recorded net cash outflows of $3.3 million related to an additional investment in EBARA BALLARD offset by licensing cash receipts from EBARA BALLARD. We also made an additional investment of $0.8 million in Chrysalix.

Financing activities resulted in cash inflows of $36.9 million for the year ended December 31, 2008, compared to nil and $5.9 million, respectively, for 2007 and 2006. Financing activities in 2008 represent gross proceeds received on the closing of the Arrangement with Superior of $38.0 million (Cdn. $46.3 million) less closing costs paid in 2008 of $1.1 million (Cdn. $1.3 million). We have accrued the remaining estimated closing costs of $3.1 million (Cdn. $3.8 million) at December 31, 2008. Financing activities for 2006 relate to equity funding received from EBARA.

As at March 2, 2009, we had 82,122,135 common shares issued and outstanding and stock options to purchase 5,224,439 of our common shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2008, we had cash, cash equivalents and short-term investments totaling $85.4 million. We will use our funds to meet net funding requirements for the development and commercialization of products in our target markets. This includes research and product development for fuel cells and carbon fiber products, the purchase of equipment for our manufacturing and testing facilities, the further development of business systems and low-cost manufacturing processes and the further development of our marketing, product distribution and service capabilities.

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

Our financial strategy is to manage our cash resources with strong fiscal discipline, focus on markets with high product and service revenue growth potential, license technology in cases where it is advantageous to us, and access available government funding for research and development projects. Our current financing principle is to maintain cash balances sufficient to fund at least six quarters of operating cash consumption at all times. We believe that our current cash, cash equivalents and short-term investments, combined with our ability to potentially monetize other assets, including our interest in AFCC through the share purchase agreement with Ford, are sufficient to meet our planned growth and development activities for the foreseeable future without the need to access public market financing. However, circumstances could change which would make it advantageous for us to access additional capital.

OUTLOOK

Over the past three years, we have re-vectored the Company to establish a sharp focus on key growth opportunities with near-term commercial prospects in our core fuel cell markets. As a result, for 2009 we will report our results in the following market segments:

1. *Fuel Cell Products and Servicing (core segment)*: fuel cell products and services for motive power (material handling and bus markets) and stationary power (back-up power and residential cogeneration markets);

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

3. *Material Products (supporting segment)*: material products primarily for automotive transmissions and gas diffusion layers (“GDL”).

We expect overall revenues for 2009 to be between $68 million to $78 million, compared to $59.6 million in 2008.

Fuel Cell Products revenue is expected to increase in 2009, as compared to 2008, due primarily to volume increases in our back-up power, bus and material handling markets as a result of our announced ACME (subject to product acceptance test in the fourth quarter of 2009), Dantherm, B.C. Transit 2010 Olympic fuel cell bus program, Transport of London fuel cell bus program and Plug Power Central Grocer agreements. This increase in Fuel Cell Products revenue is expected to be partially offset by declines in Fuel Cell Products service revenues due to the completion of our existing engineering service government contracts in the material handling and back-up power

markets, and declines in Fuel Cell Products engineering development revenues due to the completion of our 1kW residential cogeneration fuel cell development program in 2008. Residential cogeneration product revenues in 2009 are expected to be similar to 2008 as the program is still in the development stage of the Japanese government trial program.

Fuel Cell Product shipments are expected to increase to 4,000 units in 2009, as compared to 1,855 units in 2008. Materials handling shipments are expected to increase to 1,000 units, from 508 units; back-up power shipments to 2,500 units, from 720 units; and residential cogeneration shipments to 500 units, from 403 units, respectively.

Supporting business revenues are expected to decline in 2009, as compared to 2008, due primarily to lower technical services and lower contract manufacturing for AFCC, Daimler and Ford. Material Products revenues in 2009 are expected to be similar to 2008 due to the continued slow down in the U.S. automotive industry, partially offset by growth in fuel cell GDL material sales.

We expect our operating cash consumption (see Non-GAAP Measures) for 2009 to be between $17 million to $27 million, compared to $29.3 million in 2008 assuming no material fluctuations in U.S. / Canadian dollar exchange rates. A primary driver for this expected reduction in operating cash consumption for 2009 is expected increases in gross margins as a result of increased product sales, combined with additional reductions in operating expenses, to more than offset our increased investment in production capacity. As a result of the timing of capital expenditures, working capital impacts related to the B.C. Transit 2010 Olympic and Transport of London fuel cell bus programs, and the payment of 2008 employee bonuses in the first half of 2009, operating cash consumption is expected to be higher in the first half of 2009, as compared to the second half of the year.

OFF-BALANCE SHEET ARRANGEMENTS & CONTRACTUAL OBLIGATIONS

We maintain a 19.9% interest in AFCC which is subject to a share purchase agreement under which Ford, either at our option or Ford's election, may purchase our interest in AFCC at any time on or after January 31, 2013 for $65 million plus interest accruing at LIBOR from January 31, 2008. The purchase may take place earlier than January 31, 2013 if certain other events occur. Under Canadian GAAP, this share purchase agreement is considered a derivative instrument and is therefore measured and recorded at its fair value on the closing of the AFCC Transaction. We have recorded this derivative at its fair value of $1 representing the difference between the discounted present value of the share purchase agreement on closing and the value of the underlying transferred AFCC assets. This derivative instrument is carried at cost and is not marked to market each reporting period as we do not believe it is possible to regularly determine its reliable fair value. If the share purchase agreement were to be held to maturity and exercised on January 31, 2013, we anticipate that we would receive proceeds of approximately $68 million (based on current interest rates) and record an estimated gain of approximately $67 million on the sale of our remaining 19.9% interest in AFCC. If we were to monetize this share purchase agreement prior to its maturity date of January 31, 2013, the amount of proceeds received would be subject to a number of variables including Ford's cost of borrowing, expected future LIBOR rates, time remaining to January 31, 2013 and general market and other conditions. Under present economic conditions, we believe that these factors would result in a significant discount to the face value of the share purchase agreement.

Periodically, we use foreign exchange contracts to manage our exposure to currency rate fluctuations and platinum forward purchase contracts to manage our exposure to platinum price fluctuations. We record these contracts at their fair value as either assets or liabilities on our balance sheet. Any changes in fair value are recorded in our consolidated statements of operations. At December 31, 2008, we had outstanding forward exchange contracts to sell a total of Canadian $8 million at an average rate of $1.12 Canadian per $1.00 United States dollar, resulting in an unrealized loss of $0.6 million. In addition, we had outstanding platinum forward purchase contracts to purchase a total of $2.4 million of platinum at an average rate of $890 per troy ounce, resulting in an unrealized gain of $0.2 million.

As at December 31, 2008, we did not have any other material obligations under guarantee contracts, retained or contingent interests in transferred assets, outstanding derivative instruments or non-consolidated variable interests.

We have agreed to pay total royalties up to a maximum of $40.3 million (Cdn. $49.0 million) in respect of future sales of fuel cell-based stationary power products under two development programs with certain Canadian governmental agencies. To December 31, 2008, we have made total royalty payments of $4.3 million (Cdn. $5.2 million) against this potential obligation including royalty payments of $0.2 million (Cdn. $0.2 million) in 2008 and $0.1 million (Cdn. $0.2 million) in 2007. The conditions under which these royalties become payable are described in more detail in note 14 to the consolidated financial statements.

We have committed to make future capital contributions of $0.4 million (Cdn. $0.5 million) in Chrysalix, in which we have a limited partnership interest.

As at December 31, 2008 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	$ 13,970	$ 1,448	$ 2,946	$ 3,087	$ 6,489
Asset retirement obligations	3,441	—	—	—	3,441
Total contractual obligations	$ 17,411	$ 1,448	$ 2,946	$ 3,087	$ 9,930

In addition to the contractual purchase obligations above, we have commitments to purchase $0.2 million of capital assets as at December 31, 2008. Capital expenditures pertain to our regular operations and will be funded through operating cash flows and cash on hand.

The Arrangement with Superior Plus includes an indemnification agreement dated December 31, 2008 (the “Indemnity Agreement”), which sets out the parties’ continuing obligations to the other. The Indemnity Agreement has two basic elements: it provides for the indemnification by each of the parties to the other for breaches of representations and warranties or covenants as well as, in our case, any liability relating to our business which is suffered by Superior Plus. Our indemnity to Superior Plus with respect to our representation relating to the existence of our tax pools immediately prior to the completion of the Arrangement is limited to an aggregate of $6.1 million (Canadian $7.4 million) with a threshold amount of $0.4 million (Canadian $0.5 million) before there is an obligation to make a payment. Second, the Indemnity Agreement provides for adjustments to be paid by us, or to us, depending on the final determination of the amount of our Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. At December 31, 2008, we have not accrued any amount owing, or receivable, as a result of the Indemnity Agreement as we have not yet finalized our 2008 Canadian income tax return and agreed upon any differences with Superior Plus.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in us, together with their subsidiaries and affiliates, our key management personnel and our equity-accounted investees. Revenues and costs recognized from such transactions reflect the prices and terms of sale and purchase transactions with related parties, which are in accordance with normal trade practices. Related parties include EBARA BALLARD and EBARA Corporation, and prior to the closing of the AFCC Transaction on January 31, 2008, Daimler and Ford. AFCC is not considered to be a

related party, as we do not have the ability to exercise significant influence over AFCC's strategic operating, investing or financing policies.

We earn revenues from related parties from the sale of products and services and from engineering development revenues. We provide funding to related parties for the purposes of conducting research and development on our behalf. We have also purchased intellectual property and obtained licenses from, and granted licenses to, related parties. As a result of the AFCC Transaction, related party transactions have been reduced.

Related party transactions and balances are as follows:

(Expressed in thousands of U.S. dollars)	Years Ended December 31,		
Transactions with related parties	**2008**	2007	2006
Revenues from products, engineering services and other	$ **7,906**	$37,435	$41,363
Purchases	**188**	442	899

(Expressed in thousands of U.S. dollars)	As at December 31,	
Balances with related parties	**2008**	2007
Accounts receivable	$ **4,500**	$ 12,054
Accounts payable and accrued liabilities	**31**	13

The AFCC Transaction, which closed on January 31, 2008, is also a related party transaction.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)
The following table provides summary financial data for our last eight quarters:

(Expressed in thousands of U.S. dollars, except per share amounts)	Quarter ended,			
	Dec. 31, 2008	Sep. 30, 2008	June 30, 2008	Mar. 31, 2008
Product and service revenue	$ 18,605	$ 10,879	$ 11,131	$ 12,111
Engineering development revenue	296	1,406	1,220	3,932
Total revenue	$ 18,901	$ 12,285	$ 12,351	$ 16,043
Net income (loss)	$ (18,028)	$ (15,457)	$ (13,481)	$ 81,045
Net income (loss) per share	$ (0.22)	$ (0.19)	$ (0.16)	$ 0.87
Income (loss) from continuing operations	$ (18,028)	$ (15,457)	$ (13,481)	$ 81,045
Net income (loss) per share from continuing operations	$ (0.22)	$ (0.19)	$ (0.16)	$ 0.87
Weighted average common shares outstanding (000's)	82,116	82,102	82,086	93,447

	Dec. 31, 2007	Sep. 30, 2007	June 30, 2007	Mar. 31, 2007
Product and service revenue	$ 10,591	$ 12,619	$ 10,464	$ 9,678
Engineering development revenue	9,474	4,947	3,841	3,918
Total revenue	$ 20,065	$ 17,566	$ 14,305	$ 13,596
Net loss	$ (15,891)	$ (16,017)	$ (11,140)	$ (14,254)
Net loss per share	$ (0.14)	$ (0.14)	$ (0.10)	$ (0.12)
Loss from continuing operations	$ (15,891)	$ (15,588)	$ (10,814)	$ (14,516)
Net loss per share from continuing operations	$ (0.14)	$ (0.14)	$ (0.10)	$ (0.12)
Weighted average common shares outstanding (000's)	114,742	114,593	114,591	114,370

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

- **Product and service revenues**: Variations in fuel cell product revenues reflect the timing of our customers' fuel cell vehicle, bus and field trial deployments. Product revenues in the fourth quarter of 2008 were positively impacted by $6.0 million by the commencement of shipments of fuel cell bus modules related to the B.C. Transit 2010 Olympic fuel cell bus program. Testing and engineering service revenue to AFCC commenced in the first quarter of 2008.

- **Engineering development revenue**: Variations in engineering development revenue reflect the timing of work performed and the achievements of milestones under the 1kW residential cogeneration fuel cell development program and from light duty automotive and fuel cell bus programs. As a result of the AFCC Transaction, there were no light duty automotive fuel program engineering development revenues subsequent to January 2008. In addition, the 1kW residential cogeneration fuel cell development program was completed in the third quarter of 2008. Engineering development revenue in the first three quarters of 2008 was positively impacted by $1.0 million of revenue related to the B.C. Transit 2010 Olympic fuel cell bus program.

- **Operating expenditures**: Operating expenses have declined in the four quarters of 2008 due to the impact of the AFCC Transaction. Operating expenses also reflect changes in the value of the Canadian dollar versus the U.S. dollar. Operating expenses increased in the fourth quarter of 2007 due to severance and related costs of approximately $4.1 million incurred in conjunction with the AFCC Transaction.

- **Depreciation and amortization**: Depreciation and amortization has declined for the four quarters of 2008 as several assets became fully depreciated or amortized during 2007 and certain intangible assets were disposed of in the AFCC Transaction. Depreciation and amortization expense increased in the fourth quarter of 2007 due to the acceleration of amortization on expired patents. Depreciation and amortization has declined for the first three quarters of 2007 as a significant amount of intangible assets acquired in 2001 became fully amortized in 2006.

- **Investment and other income:** Investment income has continually declined for the last eight quarters due to declines in our cash equivalents and short-term investment portfolios and declines in interest rates. Investment and other income was positively impacted in the second, third and fourth quarters of 2007 and the second quarter of 2008 by foreign exchange gains of $4.2 million, $3.3 million, $0.7 million, and $1.0 million, respectively, and was negatively impacted in the first, third and fourth quarters of 2008 by foreign exchange losses of $1.3 million, $0.5 million, and $2.9 million, respectively, due to fluctuations in the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated cash and short-term investments and on our outstanding foreign exchange contracts to buy or sell Canadian dollars. Other income increased in the four quarters of 2008 due to the provision of administrative services to AFCC.

- **Loss on disposal and write-down of long-lived assets:** The net loss for the fourth quarter of 2008 was negatively impacted by a $3.0 million write-down of our investment in Chrysalix and the third quarter of 2007 was negatively impacted by a $4.6 million write-down of our investment in Advanced Energy.

- **Gain on sale of assets held for sale:** The net income for the first quarter of 2008 was significantly impacted by a $96.8 million gain on the sale of assets pursuant to the AFCC Transaction.

RISKS & UNCERTAINTIES

An investment in our common shares involves risk. Investors should carefully consider the risks described below and the other information contained in, and incorporated into, this Management Discussion and Analysis, our financial statements for the year ended December 31, 2008, and our Annual Information Form. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of risks and uncertainties summarized below 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). These documents are also available on our website at www.ballard.com.

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

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

- We may not be able to achieve commercialization of our products on the timetable we anticipate, or at all;
- We expect our cash reserves will be reduced due to future operating losses, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary;
- We may not be able to successfully execute our business plan;
- Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan;
- Exchange rate fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition or profitability;
- Commodity price fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability;
- A mass market for our products may never develop or may take longer to develop than we anticipate;
- We have limited experience manufacturing fuel cell products on a commercial basis;
- We are dependent on third party suppliers for the supply of key materials and components for our products;
- We are dependent on systems integrators or Original Equipment Manufacturers to purchase certain of our products;
- Global economic conditions are beyond our control and may have an adverse impact on our business or on our key suppliers and / or customers;
- Public Policy and regulatory changes could hurt the market for our products;
- We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success;
- We may be involved in intellectual property litigation that causes us to incur significant expenses or prevents us from selling our products;
- We currently face and will continue to face significant competition;
- We could lose or fail to attract the personnel necessary to run our business;
- We could be liable for environmental damages resulting from our research, development or manufacturing operations;
- Our products use flammable fuels, which could subject our business to product liability claims;

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

Disclosure controls and procedures

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

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 13(a) – 15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). We have concluded that as of December 31, 2008, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein, and accumulated and reported to management to allow timely discussions regarding required disclosure.

Internal control over financial reporting

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

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

Management, including the CEO and CFO, have evaluated the effectiveness of internal control over financial reporting in relation to criteria described in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, we have determined that internal control over financial reporting was effective as of December 31, 2008.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2008.

Changes in internal control over financial reporting

During the year ended December 31, 2008, there were no material changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-GAAP Measures

We use certain non-GAAP measures to assist in assessing our financial performance and liquidity. 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. A description of non-GAAP measures and reconciliations to financial statement line items for the periods indicated are as follows:

Normalized net loss measures our net loss after excluding items that are unusual in nature or do not reflect the normal continued operating activity of the business. Gains on sale of assets held for sale, losses from discontinued operations and write-downs of long-lived assets are not considered part of our core activities, and are expected to occur infrequently. Therefore we have removed these in our calculation of normalized net loss. We believe normalized net loss assists investors in assessing our performance.

(Expressed in thousands of U.S. dollars, except per share amounts)	Year Ended December 31,		
Normalized net loss	**2008**	2007	2006
Reported net income (loss)	$ **34,079**	$ (57,302)	$ (181,137)
Loss on disposal and write-down of long-lived assets	**2,812**	4,583	778
Gain on sale of assets	**(96,845)**	—	—
Loss from discontinued operations	**—**	493	124,143
Normalized net loss	$ **(59,954)**	$ (52,226)	$ (56,216)
Normalized net loss per share	$ **(0.71)**	$ (0.46)	$ (0.50)
Weighted average common shares outstanding (000's)	**84,922**	114,575	113,391

Operating cash consumption measures the amount of cash required to fund the operating activities of our business and excludes financing and investing activities except for net additions to property, plant and equipment. We believe operating cash consumption assists investors in assessing our requirements to fund operations.

(Expressed in thousands of U.S. dollars)	Year Ended December 31,		
Operating Cash Consumption	**2008**	2007	2006
Cash used by operations	$ **(26,209)**	$ (31,850)	$ (42,670)
Net additions to property, plant and equipment	**(3,085)**	(6,379)	(8,669)
Operating cash consumption	$ **(29,294)**	$ (38,229)	$ (51,339)

EXHIBIT 99.3



BALLARD POWER SYSTEMS INC.

ANNUAL INFORMATION FORM

MARCH 10, 2009

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

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

CORPORATE STRUCTURE

Name, Address and Incorporation

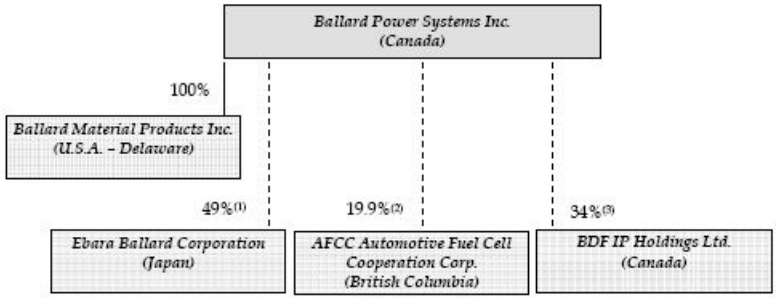
Ballard was incorporated on November 12, 2008 under the *Canada Business Corporations Act*, under the name "7076991 Canada Inc.". Ballard changed its name to "Ballard Power Systems Inc." on December 31, 2008. Ballard's head office is located at 9000 Glenlyon Parkway, Burnaby, British Columbia, Canada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

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

Intercorporate Relationships

We have four principal subsidiaries and affiliates: Ballard Material Products Inc., a Delaware corporation that develops and manufactures carbon fiber products for use in the automotive and fuel cell markets; Ebara Ballard Corporation ("**Ebara Ballard**"), a Japanese corporation jointly owned with Ebara Corporation ("**Ebara**") to develop, manufacture, market and sell stationary fuel cell products for the Japanese market; AFCC Automotive Fuel Cell Cooperation Corp. ("**AFCC**"), a British Columbia corporation that develops fuel cell products for the automotive fuel cell market; and BDF IP Holdings Ltd. ("**IP Holdings**"), a Canadian corporation that holds intellectual property assets.

The following chart shows these principal subsidiaries and affiliates, their respective jurisdictions of incorporation and our percentage of share ownership in each of them, all as of March 10, 2009:



Notes
(1) The Corporation holds a 49% minority interest in Ebara Ballard, with the remaining 51% held by Ebara.

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

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

OUR BUSINESS

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

The original predecessor to the Corporation 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.

As a result of our successes in developing fuel cells, we entered into a number of strategic alliances to pursue, develop and commercialize fuel cells for specific markets with industry leaders in those markets. This included an alliance to develop and commercialize automotive fuel cells with Daimler AG ("**Daimler**") and Ford Motor Company (" **Ford**"), and an alliance to develop and commercialize residential cogeneration systems with Ebara.

Recent History

Over the past three years, we have been focusing on our core fuel cell business and on markets with near-term commercial prospects. As a result, we sold our automotive fuel cell systems operations to DaimlerChrysler AG and Ford on August 31, 2005. We subsequently sold our electric drive operations to Siemens VDO Automotive Corporation ("**Siemens VDO**") on February 15, 2007. Finally, we completed our exit

from the automotive business by selling our automotive fuel cell research and development assets to AFCC on January 31, 2008. Following completion of these dispositions, we identified a way to extract value from Ballard's tax attributes through a restructuring transaction with Superior Plus Income Fund ("**Superior Plus**"), which was completed on December 31, 2008.

Siemens VDO Transaction

We sold our electric drive operations, based in Dearborn, Michigan, to Siemens VDO as the electric drive operations were not core to our fuel cell stack strategy and had limited revenue potential and high cash consumption in the near-term. The sale was completed in February 2007. Proceeds from the sale were approximately $4 million, before purchase price adjustments. As a result of the transaction, we recorded a net loss of approximately $108 million, which consisted primarily of a non-cash write-down of goodwill. The sale reduced Ballard's operating cash consumption by approximately $10 million per year. Operating cash consumption is a non-GAAP measure. Please see our management's discussion and analysis for a description of this measure and a reconciliation of this measure to GAAP.

AFCC Transaction

As a result of an extensive strategic review process, consistent with our focus on our core fuel cell business and commitment to continue to improve our financial performance in the near and medium term by focusing on near-term commercial fuel cell markets, we sold certain of our automotive fuel cell research and development assets to AFCC in January 2008 (the "**AFCC Transaction**").

The purpose of the AFCC Transaction was to decrease our investment in automotive fuel cell research and development due to its high cost, uncertainties surrounding government mandates relating to the adoption and deployment of automotive fuel cell powered vehicles, the lengthening timeline to automotive fuel cell commercialization, and the negative impact of these factors on our production volumes and revenues. The AFCC Transaction allowed us to focus our efforts on the development and commercialization of fuel cells for non-automotive applications, such as material handling,back-up power and residential cogeneration while limiting our fuel cell products in the automotive market to buses. In addition, our continuing involvement with automotive products and services for AFCC is on a contract basis under which we are paid on a profitable basis.

Under the AFCC Transaction, Ballard received, and cancelled, the 34,261,298 common shares in the capital of Ballard owned by Daimler and Ford, valued at approximately $173.9 million, and transferred the following to AFCC: (a) automotive intellectual property; (b) 112 employees, primarily in the research and technology development areas (approximately 20% of Ballard's workforce); (c) certain test

equipment and inventory with a book value of approximately $2.5 million; and (d) $60 million in cash; resulting in a gain on sale of assets of $96.8 million. Daimler and Ford also contributed an aggregate of $60 million to AFCC to support its research and development efforts. Ballard is not required to provide any ongoing funding to AFCC.

Shareholding ownership in AFCC is held as follows: 19.9% by Ballard; 50.1% by Daimler; and 30.0% by Ford. The value of our remaining interest in AFCC is supported by a purchase agreement with Ford, under which we may, in certain circumstances, require Ford to purchase on or after January 31, 2013 our 19.9% equity interest at a price of $65 million plus interest. Ford's obligation to purchase our interest in AFCC is accelerated in circumstances in which Ford becomes bankrupt or insolvent, but in such circumstances our ability to enforce this obligation would be subject to the limitations on creditor's rights under applicable bankruptcy and insolvency legislation and Ford's remaining resources, the combination of which could result in our being unable to make any recovery.

In association with the minority ownership in AFCC, Ballard: (a) receives rights to use both the transferred and future automotive intellectual property developed by Daimler, Ford or AFCC, in non-automotive applications; (b) provides contract technical services to AFCC, on a profitable basis; and (c) manufactures fuel cells for Daimler, Ford and AFCC, on a profitable basis. Our provision of contract technical and manufacturing services may be terminated by AFCC with six-months notice.

As part of the AFCC Transaction, Ballard terminated its automotive alliance agreement with Daimler and Ford that previously defined the parties' respective responsibilities for automotive fuel cell development work. Under the AFCC Transaction, Daimler and Ford relinquished the right to appoint four directors to Ballard's board of directors (the "**Board**"), and the special voting and veto rights held by the Daimler and Ford appointees.

Superior Plus Transaction

Our Audit Committee regularly reviews Ballard's tax position. As we did not expect to be in a position to make full use of our tax attributes for the foreseeable future, in 2005 management reviewed opportunities to extract value from these tax attributes. Following the AFCC Transaction, Ballard revisited the issue of its tax attributes and engaged financial advisors to assist in identifying and negotiating a transaction. This process led to the execution of an agreement on October 30, 2008 with Superior Plus, under which Ballard agreed to transfer its entire business and operations, including all assets, liabilities, directors, management and employees, but excluding its tax attributes, to the Corporation, and subsequently allowed Superior Plus to use Ballard's old corporate

entity as a vehicle to complete its conversion from an income trust to a corporation (the " **Superior Plus Transaction**"). Under the Superior Plus Transaction, shareholders exchanged their common shares in the capital of Ballard's old corporate entity for common shares in the capital of the Corporation on a one-for-one basis, and Superior Plus obtained 100% of the common shares in the capital of Ballard's old corporate entity. Since the completion of the Superior Plus Transaction, Ballard has continued to carry on its business operations as a public entity with all of the assets (including its intellectual property rights) as it had prior to the Superior Plus Transaction.

We obtained several benefits from the Superior Plus Transaction, including:

(a) a cash payment of C$46.3 million, which, net of the expenses of the Superior Plus Transaction, increased Ballard's cash reserves by approximately $34 million;

(b) this increase in cash reserves is expected to allow Ballard to execute its growth plan without any need for public market financing for the foreseeable future; and

(c) the creation of a new Canadian tax basis, which Ballard may apply in sheltering future taxable income.

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

Strategy

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

Over the past three years we have intensified our efforts on the development and commercialization of fuel cell products for non-automotive markets such as the motive power market (material handling) and the stationary power market (back-up power and residential cogeneration), while limiting our fuel cell products in the automotive market to buses and generating revenue through the provision of products and services to AFCC on a profitable basis. Today, varying stages of commercialization activities are progressing in each of these markets in North America, Europe and Asia and we are actively considering other key non-automotive markets for which our products are well suited. We believe these markets represent a large global opportunity for fuel cell products. We are also confident that there are opportunities for our products in additional geographic markets as well as product extension opportunities in different applications.

Revenues from Market Segments

In 2008, we operated in three market segments:

(a) Power Generation: fuel cell products and services for materials handling, back-up power and residential cogeneration purposes;

(b) Automotive: fuel cell products and services for fuel cell cars, vans and buses; and

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

The following chart shows the percentage of total revenues derived from each segment, and the portion of revenues from each segment which arises from sales to investees and sales of products and services to other customers, for the years 2008 and 2007:

	2008	2007
Revenues from Power Generation		
Percentage of total revenues	27.9%	29.7%
Portion representing sales to investees[1]	8.1%	15.7%
Portion representing sales to customers other than investees	19.8%	14.0%
Revenues from Automotive		
Percentage of total revenues	50.8%	48.9%
Portion representing sales to investees[2]	15.7%	Nil
Portion representing sales to customers other than investees	35.1%	48.9%
Revenues from Material Products		
Percentage of total revenues	21.3%	21.5%
Portion representing sales to investees	Nil	Nil
Portion representing sales to customers other than investees	21.3%	21.5%

[1] In relation to Power Generation revenues, "investees" means Ebara Ballard Corporation.

[2] In relation to Automotive revenues, "investees" means AFCC.

As a result of completing the AFCC Transaction, we have been able to re-vector our business and established a sharp focus on key commercial growth opportunities with near-term commercial prospects in our core fuel cell markets. We also bolstered our already strong balance sheet with $34 million in non-dilutive financing proceeds from the Superior Plus Transaction. In addition, we continue to build value for our shareholders by accelerating fuel cell adoption as evidenced by our supply agreements with an affiliate of the ACME group ("**ACME**"), Plug Power Inc. ("**Plug Power**") (and its customer, Central Grocers, Inc.) and BC Transit.

As a result, in 2009, we expect to operate in the following market segments:

(a) Fuel Cell Products and Servicing: fuel cell products and services for motive power (material handling and heavy-duty/buses markets) and stationary power (back-up power and residential cogeneration markets);

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

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

Our Markets and Products

Product Overview

We have developed a number of fuel cell products for power generation and transit buses. We also design, develop, manufacture, sell and service carbon fiber materials that can be used in a variety of fuel cell and non-fuel cell applications. The timing of commercialization of our products will largely be influenced by the market rollout plans of our customers. The following table lists the key fuel cell and non-fuel cell products we currently produce, have under development or are testing.

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

Stationary Power Product Family: FCgen™Fuel Cell Products		
Product Name	**Application**	**Status**
FCgen™-9SSL	Back-up power	In development and testing
FCgen™-1020ACS	Back-up power	Sales to OEMs and system integrators
FCgen™-1030	Residential heat and power, primarily in Japan	Primarily sales under Japanese government sponsored program
FCgen™-1300	Back-up power	In development

Product Family: Material Products		
Product Name	**Application**	**Status**
AvCarb™ gas diffusion layer fuel cell products	Fuel cells	Sales to fuel cell developers
Carbon friction materials	Mainly automobile automatic transmissions	Sales to OEMs

Fuel Cell Products and Servicing

Motive Power

Material Handling

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

Our key initial customers are specialized system integrators that are working to achieve early penetration into the market by developing battery pack replacement fuel cell systems. We have been working with Plug Power, which has initiated or completed field trials with a number of end-users including: Wal-Mart Stores, Inc.; Bridgestone Firestone North America Tire, LLC; Sysco Corporation; H.E. Butt Grocery Company; and Nissan North America, Inc. These trials are the first step in the sales process to end-users. Some of Plug Power's customers have completed the first phase of deployment of the technology and are now moving to larger trials and commercial orders, for which we are supplying our FCvelocity™-9SSL fuel cell product. In December 2008, Plug Power announced a commercial order with Central Grocers, Inc. to deploy 220 fuel cell units, which will power an entire forklift truck fleet at their new "greenfield" distribution center in Joliet, Illinois.

Ballard is also supplying fuel cell products to other system integrators for material handling solutions. For example, in early 2008, we signed a two-year supply agreement with Danish system integrator, H2 Logic A/S, to supply fuel cell products for the material handling market.

In 2008, Ballard announced a joint development agreement with Raymond Corporation for the development of an integrated fuel cell forklift truck. We believe that the integration of fuel cells directly into the forklift design can enable new "clean sheet" solutions that provide several advantages over existing forklift platforms and represents the long-term approach to this market.

In 2007, we initiated a new program with Exide Technologies (" **Exide**") for the development of a fuel cell hybrid battery-system for a Class 2 forklift truck. The first prototype, which utilizes our FCvelocity™-1020ACS, is expected to be completed and commissioned in the first quarter of 2009, and a field trial with end-users is planned for 2009. Exide is one of the largest distributors of batteries for the industrial material handling market. Under our agreement, we anticipate that Exide will meet all of its fuel cell needs in the material handling market over the next five years exclusively with our fuel cell products.

In order to support market growth, we will continue to pursue cost reduction of our FCvelocity™-9SSL fuel cell product. In 2007, we reduced the cost of this fuel cell product by over 23%, and in 2008, we reduced this cost by 36%. In 2008, we continued to work on a high-performance, low-cost membrane electrode assembly ("**MEA**") that we anticipate will be integrated into the FCvelocity™-9SSL fuel cell product for sales starting in mid-2009.

Heavy-Duty/Buses

The addressable market for fuel cell buses today is comprised of transit buses, which offer several advantages over automobiles for the adoption of fuel cell

technology. Buses rely on centralized fuelling depots that simplify the hydrogen infrastructure requirements. Transit buses are government-subsidized, enabling the purchase of pre-commercial fleets. In addition, their design volume and drive cycle requirements are less demanding.

On August 3, 2007, BC Transit announced the contract award for the supply of up to 20 fuel cell hybrid buses to be delivered in late 2009. These buses will begin revenue operation in Whistler, British Columbia just before the 2010 Olympic Winter Games. The consortium of New Flyer Industries (*coach manufacturer*), ISE Corporation (*hybrid drive integrator*) and Ballard (*fuel cell module supplier*) is building the buses. The test bus for the BC Transit program was successfully evaluated in Victoria, British Columbia and Whistler, British Columbia and notice to proceed to build 20 production buses was issued in November 2008. The first shipment of 10 of our sixth-generation 75kW FCvelocity™-HD6 fuel cell modules occurred in mid-December 2008.

On November 13, 2007, the City of London, England announced the contract award for the supply of five fuel cell hybrid buses to be delivered in 2009. These buses will begin revenue service in London in 2010. The consortium of Wrights Bus Ltd. (*coach manufacturer*), ISE Corporation (*hybrid drive integrator*) and Ballard (*fuel cell module supplier*) will build the buses. Two 75kW FCvelocity™-HD6 modules were shipped to ISE Corporation in September and October 2008, respectively. The first London bus started integration in late 2008, and started commissioning and testing by February 2009.

We will continue to seek new opportunities in other markets including electrified light rail transit, yard-switching locomotives and marine auxiliary power, and continue to provide service support for our existing fifth-generation bus fleets, utilizing P5 fuel cell products.

Stationary Power

Back-up Power

Our focus in the back-up power market is on the telecommunications industry, which is currently dominated by batteries. With increasing demand for more reliable communications networks and longer duration back-up time, we believe fuel cell products offer significant operating cost savings to the end user. In some geographic regions such as the European Union and the United States, regulatory pressure on telecommunications service providers for infrastructure back-up time of eight hours or longer is, we believe, creating greater interest in fuel cells as a preferred back-up power solution. The FCgen™-1020ACS fuel cell product is our primary product to support the early commercialization of fuel cell products in the back-up power market.

In 2006, we supplied a small number of FCgen™-1020ACS fuel cell products to potential customers for evaluation and testing purposes. We also entered into a funded United States government contract to develop and demonstrate an extended duration back-up power solution for the United States Department of Defence'sContinuity of Operations Project in collaboration with Plug Power. In 2007, we entered into a second phase of this contract to continue the development of the product in collaboration with Plug Power, and to significantly reduce the cost of fuel cell products for volume commercialization. We also entered into a two-year supply agreement with Dantherm Air Handling A/S ("**Dantherm**") to supply 646 kW of FCgen™-1020ACS fuel cell products.

Through our development efforts, we expect to reduce our product costs to make the FCgen™-1020ACS fuel cell product competitive with current battery costs on a capital basis. We also plan to enhance the versatility of our back-up power products to accept fuels such as propane and natural gas, in addition to hydrogen.

During 2008, over 700 fuel cell product units were shipped to back-up power customers in various global telecom markets. We signed two supply agreements with IdaTech LLC ("**IdaTech**") for the delivery of FCgen™-1020ACS fuel cell products for use in IdaTech's iGen™ and ElectraGen™ family of products. In addition, Dantherm continued to make progress in product deployments primarily in the European Tetra market.

In October 2008, Ballard entered into a supply agreement with IdaTech and ACME to develop and supply to the Indian market a 5kW natural gas fuelled back-up power system that is expected to be directly competitive with diesel generators on a life cycle basis. Subject to meeting product design and acceptance criteria, the agreement contemplates the development and sale of approximately 300 direct hydrogen fuelled units based on our FCgen™-1020ACS fuel cell, followed by the development and sale of approximately 9,700 natural gas fuelled units based on our proposed FCgen™-1300 fuel cell product. Under the agreement, ACME will purchase approximately 1,000 units in 2009 and 9,000 units in 2010. In addition, Ballard granted ACME exclusive rights for the sale and use of Ballard's fuel cells for stationary power applications in the Indian subcontinent and for telecom back-up power applications in the Middle East and Africa (excluding South Africa) through to mid-2011. ACME can extend this exclusivity from mid-2011 to mid-2012 if it purchases an additional 10,000 units in 2011 and thereafter from mid-2012 to mid-2013 if it purchases an additional 10,000 units in 2012.

Residential Cogeneration

Ballard has developed the FCgen™-1030 fuel cell product to power residential cogeneration systems, designed to generate primary electricity requirements for homes while also providing hot water using by-product heat from the fuel cell system. This can allow homeowners to cut their primary energy consumption by 20 to 30%, and their

greenhouse gas emissions by 30 to 40%, compared to conventional heat and electrical generation devices such as hot water combustion boilers. While we believe that support for residential cogeneration is growing in Europe and Korea, Japan is leading the development and commercialization of this technology. The Japanese government, through its national energy policy and market subsidies, actively supports the commercialization of residential fuel cell cogeneration systems. However, despite this support, market commercialization continues to be on a longer timeframe due to the costs of the technology.

In Japan, Ballard's channel to market is its joint venture with Ebara, Ebara Ballard. Ebara Ballard has been manufacturing and delivering 1kW fuel cell cogeneration systems for residential use since 2005 under the Japanese government's Large Scale Monitoring Program, with over 700 systems installed to date. Ebara Ballard is collaborating with one of Japan's largest energy companies, Tokyo Gas, and with other utilities, to commercialize this product. The current generation of the product, launched in 2008, is demonstrating the required commercial performance in terms of efficiency, durability, reliability and operational features. However, the residential cogeneration market is proving to be on a longer timeframe to commercialization, and still requires government support and subsidies, which remain strong in Japan. Our success will depend upon our ability to significantly reduce product costs, while continuing to demonstrate strong performance to our utility partners and their customers, Japanese homeowners.

Material Products

We develop, manufacture and sell carbon-based engineered material products into a variety of markets. These products are in the form of roll goods as either woven carbon fiber textile fabrics or as carbon fiber papers. A major application for carbon fiber fabrics is the friction surface in torque converters for light vehicle automatic transmissions. We are a Tier 1 supplier with QS-9000 and TS-16949 quality certification. In 2008, we were awarded a five-year extension to our exclusive supply contract for this product by one of our automotive manufacturing customers, valued at more than $40 million. However, given the current economic conditions, particularly in the automotive sector, it is possible that the total product ordered might be less than the amount stipulated in the contract.

Beyond automatic transmissions, we supply carbon fiber friction materials for use in wet brake systems for off-road heavy-duty construction and mining equipment. To grow and diversify in this market, we are working with a number of Tier 1 and Tier 2 automotive suppliers to develop and incorporate our carbon fiber products in new drivetrain applications, including dual clutch transmissions.

A GDL is a significant component at the core of the fuel cell, allowing the uniform diffusion of hydrogen and air towards the electrocatalyst, and releasing water

as the chemical reaction is complete. The quality of the GDL plays an important role in the overall performance and cost of a fuel cell. Our AvCarb™ GDL materials are available in continuous rolls, and are designed to enable MEAs to be manufactured using high-speed automated assembly techniques. The first two members of this family of products are the AvCarb™ P-50 and the AvCarb™ P-50T, which include a Teflon® coating. Since 2002, we have added a precision carbon coating capability. We supply several key industry participants in the fuel cell industry with GDLs, and we use our GDLs in several of our own fuel cell products. We also supply GDLs for phosphoric acid fuel cells used in stationary power applications.

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

Contract Technical Services and Manufacturing Services

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

We also provide short-term finance, human resources, information technology and other administrative support services to AFCC.

We anticipate providing AFCC with these services at least through 2009, but our service contracts may be terminated by AFCC with six-months notice. AFCC's requirement for our services is dependent on, among other things, the continued funding of their operations by Daimler and Ford, which is not certain especially given current economic conditions.

Impact of Regulations and Public Policy

United States

In October 2007, the Federal Communications Commission ("**FCC**") mandated that, over the next 12 months, local exchange carrier and commercial mobile radio service providers place a minimum of 24 hours of power back-up at central offices and a minimum of eight hours of power back-up at cellular sites, remote switches, and digital loop carrier system remote terminals. This regulatory change was expected to drive demand for extended duration back-up power favouring fuel cell system solutions.

In December 2008, the White House Office of Management and Budget rejected the FCC's plan to implement the eight-hour mandate. The final outcome of the enforceability of this mandate is still unclear at this stage. However, through this process, the telecom operators in the United States have recognized the need to upgrade the back-up power capability at cellular sites and have created a higher demand for fuel cell solutions.

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

Japan

The Japanese government, through its national energy policy and market subsidies, actively supports the commercialization of residential fuel cell cogeneration systems. Since 2005, the Japanese government has sponsored the Large Scale Monitoring Program for the installation of fuel cell cogeneration systems, supported by annual budgets of $26 million, $32 million, $29 million and $25 million in 2005, 2006, 2007 and 2008, respectively, for a total of $112 million in subsidies for a total of 3,300 residential cogeneration fuel cell systems. Given Japan's focus on Kyoto Protocol targets for reduced CO2, and heavy reliance on imported petroleum energy, we believe that residential fuel cell cogeneration will remain a key component of Japan's energy strategies. The Ministry of Economy, Trade and Industry intends to ask for an appropriation of over JY7 billion ($70 million) in the 2009 budget to support transition to the early commercial phase.

Research and Product Development

Ballard conducts research in improving the cost, durability and fundamental understanding of the MEA and its sub-components. In addition, greater development focus is being placed on the capability of MEAs operating on reformate fuels, reflecting customer needs in the non-automotive markets. As a result of the AFCC Transaction, automotive centric research activities such as freeze-start capability and long-term technology paths such as platinum free catalysts will no longer be directly conducted by Ballard.

Intellectual Property

In connection with the AFCC Transaction in January 2008, we transferred to Daimler and Ford our automotive intellectual property rights, which represented approximately 20% of our patent portfolio. We also transferred approximately 485 patents and patent applications to IP Holdings, a holding company established for the

purpose of protecting Daimler and Ford's licence rights granted as part of the AFCC Transaction. We then entered into a licence agreement with IP Holdings evidencing our exclusive right to use fundamental intellectual property rights and improvements thereto for non-automotive applications. As of January 31, 2009, Ballard owns or controls through IP Holdings, patents approximately as follows: 150 United States granted patents, 125 non-United States granted patents, 50 United States published patent applications and 200 published non-United States patent applications. We also hold exclusive and non-exclusive licence rights to additional intellectual property from a number of third parties, including licences to approximately 2,000 patents and patent applications included in the AFCC Transaction. These licences include royalty-free access to all of the intellectual property rights held by NuCellSys GmbH ("**NuCellSys**"), an entity jointly owned by Daimler and Ford, as well as royalty-free access to all of the intellectual property rights relating to fuel cells developed by Daimler, Ford and their subsidiaries (either directly or through AFCC) for so long as we continue to be a shareholder of AFCC. Our patents will expire between 2009 and 2027.

Manufacturing

Our fuel cell manufacturing facility is located in Burnaby, British Columbia and is designed to provide the manufacturing capacity necessary to meet expected customer demand through the initial market introduction phase for our material handling, heavy-duty/buses, back-up power and residential cogeneration fuel cell products, as well as to provide contract manufacturing services to AFCC. We expect demand for our fuel cell products to increase and to require increased manufacturing capacity. We will either build that capacity to meet the increased demand or outsource some or all of the manufacturing requirements. In some circumstances, we may choose to license part or all of the manufacturing for a particular fuel cell application or customer on a royalty-bearing basis.

In Burnaby, we currently have an Integrated Management System registered to ISO/TS 16949, ISO 9001, ISO 14001 and OHSAS 18001 standards. These registrations reflect our approach to achieving best business system practices in the areas of quality, environment, health and safety. We have also developed expertise in the testing of all aspects of PEM fuel cells and components. We subcontract some process steps or assemblies to minimize investment in capital equipment, particularly in the case of processes that will eventually be replaced by new manufacturing methods or materials, or that relate to non-core technology. We have developed strategic relationships with key suppliers to ensure a timely supply of key components. Additionally, we have established relationships with key material suppliers to enhance the quality and suitability of components supplied and to assist in the development of our fuel cell products.

Many of the components we use to manufacture our fuel cell products are unique and may require long lead times to order. Certain components used in our fuel

cell products have been developed to our specifications under development and supply agreements. These development and supply agreements provide that the intellectual property created by the design of these components is owned exclusively by us, jointly by us and the supplier, or solely by the supplier, depending upon whether we have assumed any of the development costs.

Our facility in Lowell, Massachusetts, where we produce our carbon fiber products, is also ISO 9001 and QS 9000 registered. The experience of our operations in Lowell in continuous roll-to-roll manufacturing processes and as a Tier 1 automotive supplier will be valuable to us as we increase commercial production in our Burnaby manufacturing facility, and as we leverage our established quality and manufacturing practices.

Facilities

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

We leased and licensed to AFCC an area in our owned facility in Burnaby, British Columbia totalling approximately 40,000 square feet (3,716 square meters), comprised of office and laboratory space.

We also sublet an area in our leased facility in Burnaby, British Columbia totalling 31,000 square feet (2,880 square meters), composed of office space. We retained the remaining 17,000 square feet (1,580 square meters) of office space, as well as the 64,000 square feet (5,948 square meters) manufacturing facility, for our own use.

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

Human Resources

As of March 10, 2009, we had approximately 475 employees in Canada, the United States and Germany, representing such diverse disciplines as electrochemistry, polymer chemistry, chemical, mechanical, electronic and electrical engineering, manufacturing, marketing, business development, legal, finance, human resources, information technology and business management. Our employees are not represented by any labour union. Each employee must agree to confidentiality provisions as part of the terms of his or her employment, and certain employees have also executed non-competition agreements with us.

Competition

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

Fuel Cell Products and Servicing

Motive Power

Material Handling

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

Fuel Cells. Companies developing fuel cell systems for material handling applications include Toyota, Hydrogenics, and Nuvera. We seek to gain a competitive advantage through fuel cell designs that provide superior performance, efficiency, durability and cost. Some of our competitors purchase, or are considering the purchase of, fuel cell products from us for use in some of their material handling products.

Emerging Technology. Advanced battery technology continues to make progress in the material handling market. However, advanced battery technology still requires

significant time for recharging and, in many cases, cannot meet desired run times without requiring spare batteries and substantial space for battery charging and storage. These issues are addressed by fuel cell technology.

Heavy-Duty/Buses

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

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

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

Stationary Power

Back-up Power

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

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

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

Residential Cogeneration

Existing Technology. Ebara Ballard's 1 kW residential cogeneration fuel cell system competes primarily against the electrical grid, heat pumps and standard hot water heaters; there is also interest in ICE-based cogeneration systems.

Fuel Cells. We believe that PEM fuel cell technology can be superior to alternative fuel cell technologies in our target markets, in terms of electrical efficiency, lifetime, responsiveness to load changes and cost. For applications that operate at higher base loads, higher temperature fuel cells, such as molten carbonate and solid oxide fuel cells, are more appropriate than PEM fuel cells.

There are a number of companies actively involved in the manufacture of PEM fuel cells products for the residential cogeneration market. These companies include: Panasonic, ENEOS Celltech, Toshiba and Toyota in Japan; Baxi Innotech, Vaillant and Viessmann in Germany; GS Fuel Cell in Korea; and Plug Power in the United States.

Emerging Technology. Emerging technologies for the small to mid-sized continuous power generation market in Japan include advanced ICE based systems and solid oxide fuel cells. Competitors using or developing these technologies include Honda, in the case of advanced ICE based systems, and Acumentrics, Kyocera, Mitsubishi Materials and Siemens Westinghouse, in the case of solid oxide fuel cells.

Material Products

Friction Products

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

Emerging Technology. Using its unique capabilities to modify the construction of carbon fabrics and to tailor the components of carbon-containing composites, Ballard is working with component and system suppliers to the automotive and other transportation industries to develop advanced carbon friction materials for more demanding, value-added applications.

Fuel Cell Products

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

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

SHARE CAPITAL AND MARKET FOR SECURITIES

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As of March 10, 2009, our issued share capital consisted of 83,940,682 common shares. Our common shares are listed and trade on the Toronto Stock Exchange ("**TSX**") under the symbol "BLD" and on the National Association of Securities Dealers Automated Quotation Global Market ("**NASDAQ**") under the symbol "BLDP".

The following table shows the monthly trading activity for our common shares on the TSX and NASDAQ during 2008:

	TSX		NASDAQ	
	Price Range (CDN$)	**Average Daily Volume (#)**	**Price Range (U.S.$)**	**Average Daily Volume (#)**
January	$4.25-5.71	184,984	$4.27-5.67	518,040
February	$4.42-5.18	112,506	$4.51-5.12	293,031
March	$4.10-4.68	173,453	$4.06-4.68	524,854
April	$4.06-4.44	109,086	$3.98-4.35	238,852
May	$4.12-4.47	109,461	$4.02-4.51	291,985
June	$3.75-4.33	309,692	$3.72-4.22	446,631
July	$3.40-4.14	70,294	$3.34-4.26	283,841
August	$4.15-4.93	77,900	$3.99-4.72	211,613
September	$3.51-4.89	165,521	$3.38-4.59	381,797
October	$2.58-3.76	108,123	$2.01-3.48	320,782
November	$2.15-3.66	55,803	$1.75-3.16	221,567
December	$1.20-2.58	154,744	$0.96-2.05	774,451

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 10, 2009: the name and province or state of residence of each of our directors; each director's 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 and Province/State of Residence[(1)]	Principal Occupation[(1)]	Director Since	Shares Beneficially Owned or Controlled or Directed[(1)] (#/% of Class)	Deferred Share Units Owned or Controlled[(2)] (#/% of Class)
Ian A. Bourne Alberta, Canada	Corporate Director and Chair of the Board of Ballard since January 2007. Formerly Executive Vice President and Chief Financial Officer of TransAlta Corporation (*electricity generation and marketing*) from January 1998 to December 2006, and from January 1998 to December 2005, respectively.	2003	26,824/0.032%	77,706/23.33%
Edwin J. Kilroy Ontario, Canada	Chief Executive Officer of Symcor Inc. (*business process outsourcing services*) since January 2005. Formerly Chief Executive Officer of IBM Canada Ltd. (*information technology*) from April 2001 to January 2005.	2002	2,424/0.003%	42,844/12.86%

Name and Province/State 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)
Dr. Chong Sup (C.S.) Park California, U.S.A.	Corporate Director. Formerly Chairman of the Board and Chief Executive Officer of Maxtor Corporation (*storage solutions and hard disk drives*) from November 2004 to May 2006, and Managing Director, Investment Partner and Senior Advisor of H&Q Asia Pacific (*private equity investment*) from November 2002 to September 2004.	2007	17,091/0.020%	0/0%
John W. Sheridan British Columbia, Canada	President and Chief Executive Officer of Ballard since October 2005.	2001	451,840/ 0.538%	57,943/17.40%
Dr. Geraldine B. Sinclair British Columbia, Canada	Executive Director, Center for Digital Media of the Great Northern Way Campus since May2006. Formerly Chair of the Canadian Telecommunications Policy Review Panel, and a Strategic Management Consultant from 2005 to 2006, and General Manager, MSN of Microsoft Canada (*internet services*) from September 2002 to October 2004.	2005	176/<0.001%	25,355/7.61%
David J. Smith British Columbia,	Member, British Columbia Securities Commission since July 2006. Counsel	2006	6,411/0.008%	14,841/4.46%

Name and Province/State 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)
Canada	with Lawson Lundell LLP (*law firm*) from May 2005 to April 2006. Partner of Lawson Lundell and predecessor law firms prior to that.			
David B. Sutcliffe British Columbia, Canada	Corporate Director since October 2005. Formerly Chief Executive Officer and Chair of the Board of Sierra Wireless, Inc. (*electrical and electronic industrial products*) from May 1995 to October 2005 and from May 2001 to April 2005, respectively.	2005	3,600/0.004%	25,528/7.66%
Mark A. Suwyn Florida, U.S.A.	Chief Executive Officer and Chairman of the Board of NewPage Corporation (*coated paper*) since April 2006 and May 2005, respectively. Formerly President of MARSUW LLC (*consulting*) from November 2004 to April 2005, and Chief Executive Officer and Chairman of the Board of Louisiana-Pacific Corporation (*building products*) from January 1996 to October 2004.	2003	7,237/0.009%	35,019/10.51%

Name and Province/State of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
Douglas W.G. Whitehead British Columbia, Canada	Chairman of Finning International Inc. (*heavy equipment reseller*). Formerly President and Chief Executive Officer of Finning International from 1999 to May 2008.	1998	4,383/0.005%	36,916/11.08%

Notes

(1) The information as to place of residence, principal occupation, business or employment of, and shares beneficially owned, or controlled or directed, directly or indirectly, by a director is not within the knowledge of our management and has been furnished by the director. Information on shares beneficially owned, or controlled or directed, is accurate as at March 10, 2009.

(2) Rounded to the nearest whole number. Information is accurate as at March 10, 2009. In reviewing the status of Ballard's share incentive plans in connection with the recently completed transaction with Superior Plus Income Fund, Ballard determined that a total of 169,276 DSUs had been issued to directors in excess of a limitation set out in Ballard's 2003 Share Distribution Plan. Ballard intends to have its shareholders determine the continuing status of these DSUs at its annual general meeting in 2009.

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 resign from the Board. If no meeting is held, each director serves until his or her successor is elected or appointed, unless the director resigns earlier.

Corporate Governance

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

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

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

Board Composition

All of our directors are independent except for John Sheridan, our President and Chief Executive Officer. "Independence" is judged in accordance with the provisions of the United States *Sarbanes-Oxley Act of 2002* ("**Sarbanes-Oxley**"), and as determined by the Canadian securities regulatory authorities ("**CSA**") and the NASDAQ. We conduct an annual review of the other corporate boards on which our directors sit, and have determined that currently one board interlock exists with respect to our directors. Mr. Sheridan is a director of NewPage Corporation and Mr. Suwyn is the Chairman of the Board of NewPage Corporation. We are not affiliated or related to NewPage Corporation in any way, do not do any business with NewPage Corporation and we operate in a different industry than NewPage Corporation. The Board has also established a guideline for the maximum number of corporate boards on which a director should sit. This guideline has been set at five corporate boards (not including non-profit boards).

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

meeting, which is any meeting of shareholders where the number of nominees for director is greater than the number of directors to be elected.

Share Ownership Guidelines

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

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

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

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

Roles and Responsibilities

The Board operates under a formal mandate (a copy of which is attached as Appendix "A" and is posted on our website), which sets out its duties and responsibilities, including matters such as corporate strategy, fiscal management and reporting, selection of management, legal and regulatory compliance, risk management, external communications and performance evaluation. The Board has also established terms of reference for individual directors (a copy of which is attached as Appendix "B" and is posted on our website), which set out the directors' individual responsibilities and duties. These terms of reference serve as a code of conduct with which each director is expected to comply, and address matters such as conflicts of interest, the

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

duties and standard of care of directors, the level of availability expected of directors, requirements for maximizing the effectiveness of Board and committee meetings, and considerations that directors are to keep in mind in order to make effective and informed decisions.

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

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

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

Board Orientation and Education

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

Shareholder Feedback and Communication

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

Board and Director Performance Evaluations

The directors conduct an annual performance evaluation of the Board, Board committees, and the Chair of the Board through a process overseen by the Corporate Governance Committee. Evaluation questionnaires are completed and a summary report is generated for and reviewed by the Corporate Governance Committee. The Corporate Governance Committee works with management to improve Board processes and to address concerns raised in the evaluation questionnaires, and reports to the full Board on the evaluation results and proposed action items. In addition, the directors evaluate each other every two years and conduct individual self-evaluations in the alternate years, the results of which are forwarded to the Chair of the Board who then reviews the results and meets with each director to conduct an individual director performance evaluation. The Board also sets annual effectiveness goals, and tracks performance against those goals.

Compliance in Canada and the United States

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

The CSA's *National Policy 58-201 – Corporate Governance Guidelines* requires that a board have a majority of independent directors. If a director is an executive officer, general partner, managing member, or both a director and an employee of an "affiliated entity", that director will not be independent. In such a case, the board of directors should, in addition to having a majority of independent directors, include a number of directors who do not have interests in, or relationships with, either the company or the

affiliated entity and should be constituted to fairly reflect the investment in the company by shareholders other than the affiliated entity. An "affiliated entity" of a company is defined as, among other things, an entity that can "control" the company, directly or indirectly, thereby determining the direction of management and policies of the company, whether by share ownership or otherwise. As we are not "controlled" by another entity, none of our directors act as representatives of an affiliated entity.

Board Committees

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

Audit Committee

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

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

The Audit Committee is responsible for recommending the appointment of our external auditors (for shareholder approval at our annual general meeting), monitoring the external auditors' qualifications and independence, and determining the

appropriate level of remuneration for the external auditors. The external auditors report directly to the Audit Committee. The Audit Committee has the authority to terminate the external auditors' engagement. The Audit Committee also approves in advance, on a case-by-case basis, any services to be provided by the external auditors that are not related to the audit. The following table shows the costs incurred with KPMG in 2008 and 2007 for audit and non-audit related work, all of which were approved by the Audit Committee:

Type of Audit Fees	2008	2007
Audit Fees	$415,187(1)	$360,884
Audit-Related Fees	$13,995	$143,058(2)
Tax Fees	$37,864(3)	$132,130(3)
All Other Fees	Nil	Nil

Notes

(1) The Audit Fees for 2008 include services as a result of the AFCC Transaction and the Superior Plus Transaction.

(2) The Audit-Related Fees for 2007 primarily related to a special audit required as a result of the disposition of our Dearborn operations and for Sarbanes-Oxley section 404 documentation.

(3) The Tax Fees for 2008 and 2007 related to tax advisory services and the filing of our 2007 Canadian provincial and federal and United States state and federal tax returns.

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

As of March 10, 2009, the committee was composed of Ian A. Bourne, Edwin J. Kilroy (Chair), David B. Sutcliffe, Mark A. Suwyn and Douglas W.G. Whitehead, all of whom are independent of management. In addition to each committee member's general business experience, the education and experience of each member that is relevant to the performance of his or her responsibilities as a member of the Audit Committee is set forth below.

Mr. Bourne is a Corporate Director and Chair of the Board of Ballard. He was TransAlta Corporation's Executive Vice President from January 1998 to December 2006. From January 1998 to December 2005, Mr. Bourne was the Chief Financial Officer of TransAlta and was responsible for all financial policy, planning and reporting, as well as tax, treasury and risk management planning and implementation. He sits on the

boards of Wajax Income Fund, Wajax Limited, Canada Pension Plan Investment Board, Canadian Oil Sands Trust, Glenbow Museum, Calgary Philharmonic Orchestra and The Calgary Foundation. Mr. Bourne has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

Mr. Kilroy has been the Chief Executive Officer of Symcor Inc. since January 2005. Prior to that, Mr. Kilroy was the Chief Executive Officer of IBM Canada Ltd. from April 2001 to January 2005. Mr. Kilroy is also a director of The Conference Board of Canada.

Mr. Sutcliffe is a Corporate Director. He was the Chief Executive Officer of Sierra Wireless, Inc. from May 1995 to October 2005. From May 2001 to April 2005, he was also the Chair of the Board of Sierra Wireless, Inc. Mr. Sutcliffe currently sits on the boards of Sierra Wireless, Inc. and E-Comm 911. Mr. Sutcliffe's public company chief executive officer experience includes Canadian and United States reporting. Mr. Sutcliffe has served on the audit committee of E-Comm 911 and has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

Mr. Suwyn has been the Chairman of the Board and the Chief Executive Officer of NewPage Corporation since May 2005 and April 2006, respectively. Mr. Suwyn was the President of Marsuw Investment from November 2004 to April 2005. From January 1996 to October 2004, Mr. Suwyn was also the Chairman of the Board and the Chief Executive Officer of Louisiana-Pacific Corporation. He sits on the boards of NewPage Corporation and BlueLinx Corporation.

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

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

Management Development, Nominating & Compensation Committee

The Management Development, Nominating & Compensation Committee is responsible for considering and authorizing the terms of employment and compensation of executive officers and providing advice on compensation structures in

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

The committee ensures appropriate senior management succession planning, recruitment, development, training and evaluation. In particular, the committee annually reviews the performance objectives of our Chief Executive Officer and is responsible for conducting his annual performance evaluation. Any compensation consultants engaged by us, at the direction of the committee, report directly to the committee, and the committee has the authority to appoint such consultants, determine their level of remuneration, and oversee and terminate their services.

As of March 10, 2009, the committee was composed of Ian A. Bourne, Dr. C.S. Park, Dr. Geraldine B. Sinclair, David J. Smith and David B. Sutcliffe (Chair), all of whom are independent of management. Mr. Smith has completed the Directors Education Program of the Institute of Corporate Directors and has received the ICD.D designation.

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

Corporate Governance Committee

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

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

As of March 10, 2009, the committee was composed of, Ian A. Bourne, Edwin J. Kilroy, Dr. Geraldine B. Sinclair and David J. Smith (Chair), all of whom are independent of management.

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

Executive Officers

As of March 10, 2009, we had six executive officers. The name and province or state of residence of each executive officer, the offices held by each officer and each officer's principal occupation during the last five years are as follows:

Name and Province/State of Residence	Position	Principal Occupation
John W. Sheridan British Columbia, Canada	President and Chief Executive Officer	Executive of Ballard.
William T. Foulds Massachusetts, U.S.A.	Vice President, Sales, Ballard and President, Ballard Material Products Inc.	Executive of Ballard.
Christopher J. Guzy British Columbia, Canada	Vice President, Operations and Chief Technical Officer	Executive of Ballard. Formerly General Manager of Global Product Company, GE Healthcare's product development and supply chain operations in Hungary (2001 to 2005).
Noordin Nanji British Columbia, Canada	Vice President, Corporate Strategy and Development	Executive of Ballard.
Jay Murray British Columbia, Canada	Corporate Controller and Acting Chief Financial Officer	Executive of Ballard.

Name and Province/State of Residence	Position	Principal Occupation
Glenn Y. Kumoi British Columbia, Canada	Vice President, Human Resources, Chief Legal Officer & Corporate Secretary	Executive of Ballard. Formerly Associate Counsel of Davis LLP (2006 to 2007), and Acting Vice President of EMEA (2006), Chief Administrative Officer (2004 to 2005) and Chief Legal Officer (2002 to 2004) of MDSI Mobile Data Solutions Inc.

Shareholdings of Directors and Senior Officers

As of March 10, 2009, our directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 1,032,842 of our common shares, being 1.23% of our issued and outstanding common shares, and 316,152 DSUs.

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

Particulars of every contract that is material to Ballard, other than a contract entered into in the ordinary course of business that is not required to be disclosed under the CSA's *National Instrument 51-102 – Continuous Disclosure Obligations* , and that was entered into within the most recently completed financial year, or before the most recently completed financial year but is still in effect, are listed below. As all of these material contracts have been entered into in connection with either the AFCC Transaction or the Superior Plus Transaction, they are described below in conjunction with the more detailed description of the transaction to which they relate.

Detailed Description of the AFCC Transaction and Associated Material Contracts

The AFCC Transaction generally provided for the transfer of certain of our automotive fuel cell research and development assets (the "**Transferred Automotive R&D Assets**") to Daimler and Ford. The AFCC Transaction was implemented through: (a) our transfer to AFCC of the Transferred Automotive R&D Assets and the assumption by AFCC of our automotive fuel cell warranty liabilities to Daimler, Ford

and their affiliates in return for a 100% equity interest in AFCC; (b) our transfer to Daimler of 50.1% of our equity interest in AFCC, an interest in and a licence to use certain of our intellectual property rights, and $36.2 million; (c) our transfer to Ford of 30.0% of our equity interest in AFCC, an interest in and a licence to use certain of our intellectual property rights, and $21.8 million; and (d) the transfer by Daimler and Ford of their entire direct and indirect shareholdings in Ballard to us for cancellation.

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

Transfer of Automotive Fuel Cell Research and Development Assets

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

Ballard then transferred: (a) to Daimler, a 50.1% equity interest in the outstanding shares of AFCC, an undivided half interest in our intellectual property rights principally used for propulsion systems in cars, vans, trucks and buses ("**Automotive Propulsion Applications**") (such intellectual property rights being referred to as "**Automotive Intellectual Property Rights**"), and $36.2 million, as well as providing Daimler with a licence to use certain of its intellectual property rights; and (b) to Ford, a 30.0% equity interest in the outstanding shares of AFCC, the remaining undivided half interest in our Automotive Intellectual Property Rights, and $21.8 million, as well as providing Ford with a licence to use certain of its intellectual property rights.

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

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

Employee Transfers

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

Termination of Automotive Alliance

Following the AFCC Transaction, we are no longer directly involved in automotive fuel cell research and development. As a result, we entered into a termination agreement with Daimler and Ford dated January 31, 2008 (the "**Termination Agreement**") under which we terminated the Amended and Restated Fourth Alliance Agreement between Ballard, Daimler, Ford and DBF dated February 15, 2007 (the "**Fourth Alliance Agreement**"). Under the Termination Agreement, the only aspects of the Fourth Alliance Agreement that survived the termination are: (a) Ballard's non-competition obligations in favour of NuCellSys, which continue on substantially the same terms as previously under a new agreement between Ballard, Daimler, Ford and NuCellSys dated January 31, 2008, since Ballard received the consideration for this non-competition obligation from Daimler and Ford in 2005; and (b) Ballard's right to acquire fuel cell intellectual property rights developed by Daimler or Ford prior to the termination of the Fourth Alliance Agreement, which continues under the shareholders' agreement entered into by Ballard, Daimler, Ford and AFCC dated January 31, 2008.

Amendment of Articles

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

Arrangements with respect to AFCC

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

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

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

If we were to monetize our rights under the Share Purchase Agreement prior to its maturity date of January 31, 2013, the proceeds received would be subject to a number of variables including Ford's cost of borrowing, expected future LIBOR rates, time remaining to January 31, 2013 and general market and other conditions. Under present economic conditions, these factors would result in a significant discount to the face value of the Share Purchase Agreement.

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

for non-Automotive Propulsion Applications ("**Non-Automotive Applications**"), except for auxiliary power units for use in automobiles and European Aeronautic Defence and Space Company aircraft;(e) we will not solicit the employees of Daimler, Ford or AFCC; and (f) Daimler, Ford and AFCC will not solicit our employees.

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

Treatment of Intellectual Property

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

(a) NuCellSys transferred to us the intellectual property, which is fundamental to both Automotive Propulsion Applications and Non-Automotive Applications (such intellectual property rights being referred to as "**Fundamental Intellectual Property Rights**") and the intellectual property used in Non-Automotive Applications ("**Non-Automotive Intellectual Property Rights**") that was jointly owned by us. Pursuant to a licence agreement with NuCellSys dated January 31, 2008, (the "**NuCellSys Licence Agreement**") NuCellSys granted to us a non-exclusive, worldwide, royalty-free, sublicensable licence to use all of its existing intellectual property for Non-Automotive Applications.

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

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

them while Ballard is a shareholder of AFCC for use in Non-Automotive Applications.

In the event the bankruptcy of an owner or licensor of intellectual property rights, there is some uncertainty as to the survival of licence rights under Canadian bankruptcy law. Therefore, in order to protect the licence rights of Daimler and Ford in respect of the Fundamental Intellectual Property Rights in the limited event of our bankruptcy or insolvency, we transferred substantially all of our Fundamental Intellectual Property Rights, and agreed to transfer all improvements thereto made while we are a shareholder of AFCC, to a new corporate entity, IP Holdings. We then entered into a licence agreement with IP Holdings dated January 31, 2008 (the "**Fundamental Licence Agreement**") evidencing our exclusive right to use such Fundamental Intellectual Property Rights and improvements thereto for Non-Automotive Applications. In addition, we covenanted not to enter into any joint development arrangements with third parties, unless our interest in any improvements to the Fundamental Intellectual Property Rights arising out of such arrangements are either transferred to IP Holdings or, at a minimum, are licensed to IP Holdings (with a right to sublicence to Daimler and Ford). We provided Daimler and Ford each with a 33% voting, non-participating interest in IP Holdings, retained a 34% voting interest and a 100% participating interest in IP Holdings, and entered into an unanimous shareholders' agreement with IP Holdings dated January 31, 2008 (the "**IP Holdings Shareholders' Agreement**") to ensure that IP Holdings will not take any action that would place the licence rights of any of the parties at risk. Under the IP Holdings Shareholders' Agreement, IP Holdings may not take any decision or action without the unanimous approval of its shareholders, other than holding the Fundamental Intellectual Property Rights and any improvements thereto. Ballard has the sole right to protect and enforce the Fundamental Intellectual Property Rights transferred to IP Holdings.

Service Arrangements with AFCC

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

Detailed Description of the Superior Plus Transaction and Associated Material Contracts

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

The Superior Plus Transaction was completed through: (a) the cancellation of all existing DSUs and RSUs without payment for consideration; (b) Superior Plus' loan of C$46,319,148 to Ballard on a demand interest bearing basis; (c) the transfer of all of Ballard's assets to a wholly-owned subsidiary company ("**Subco**") in consideration for Subco issuing to Ballard 100,000,000 common shares in the capital of Subco and the assumption of all of Ballard's liabilities, except for the repayment of the C$46.3 million loan from Superior Plus; (d) the exchange of all common shares in the capital of Ballard's old corporate entity for common shares in the capital of Ballard's new corporate entity; (e) the adoption by Ballard's new corporate entity of Share Incentive Plans substantially similar to the share incentive plans of Ballard's old corporate entity that existed prior to the Superior Plus Transaction; (f) the grant of new DSUs and RSUs by Ballard's new corporate entity to those securityholders whose previous DSUs and RSUs were cancelled in connection with the Superior Plus Transaction; (g) the exchange of options to purchase common shares in the capital of Ballard's old corporate entity for substantially similar options to purchase common shares in the capital of Ballard's new corporate entity; (h) the alteration of the authorized capital of Ballard's old corporate entity to amend the rights attached to its common shares such that the shares are redeemable at the option of Ballard for shares in Subco on a one-for-one basis, and to create a new class of ordinary common shares (the "**New Superior Shares**"); (i) the transfer by Superior Plus of all of its assets, including the right to receive repayment of the C$46.3 million loan, to Ballard's old corporate entity in exchange for the assumption

of Superior Plus' liabilities and 88,378,194 New Superior Shares; (j) the redemption of all of Superior Plus' outstanding trust units; (k) the redemption of all of the outstanding shares in the capital of Ballard's old corporate entity, with the redemption price paid to the sole shareholder, Ballard's new corporate entity, by the distribution of common shares in the capital of Subco on a one-for-one basis; (l) the cancellation of any shares in the capital of Ballard's new corporate entity held by dissenting shareholders; (m) the liquidation of Subco and the distribution of all of its assets, including the proceeds of the C$46.3 million loan to, and the assumption of all of its liabilities by Ballard's new corporate entity; (n) the name change of Ballard's old corporate entity from "Ballard Power Systems Inc." to "Superior Plus Corp.", which will carry on business as a successor to Superior Plus; and (o) the name change of Ballard's new corporate entity from "7076991 Canada Inc." to "Ballard Power Systems Inc.", which will carry on business as a successor to Ballard.

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

Stock Exchange Listings

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

Security Certificates

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

Indemnification Arrangements

We entered into an indemnification agreement with Superior Plus dated December 31, 2008 (the " **Indemnity Agreement**"), which specifies the parties' respective

continuing indemnification obligations to the other. The Indemnity Agreement provides that we are liable to Superior Plus for all Losses (as defined in the Indemnity Agreement) which it may suffer, sustain, pay or incur, and we will indemnify and hold Superior Plus harmless from and against all Losses which may be brought against or suffered by Superior Plus or which Superior Plus may suffer, sustain, pay or incur arising out of, resulting from, attributable to or connected with:

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

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

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

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

The Indemnity Agreement does not contain any limit on the amount of the claims that can be indemnified nor is there any threshold before indemnification is provided. In addition, the Indemnity Agreement specifically extends the limitation period within which a party is entitled to make a claim under the Indemnity Agreement to two years after the notice of claim with respect to such obligation was given.

However, with the exception of certain limited adjustments to address differences in the amount of specific Tax Pools of Ballard, which is described below, the indemnification provisions of the Indemnity Agreement do not provide indemnification to Superior Plus in respect of the amount or the availability of the Tax Pools.

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

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

RISK FACTORS

An investment in our common shares involves risk. Investors should carefully consider the risks described below and the other information contained in, and incorporated into, this Annual Information Form, including "Management's Discussion and Analysis" and our financial statements for the year ended December 31, 2008. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business.

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

We cannot guarantee that we will be able to develop commercially viable fuel cell products on the timetable we anticipate, or at all. The commercialization of our fuel cell products requires substantial technological advances to improve the durability, reliability, cost and performance of these products, and to develop commercial volume manufacturing processes for these 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, including useful life, reliability and durability, our commercialization schedule could be delayed, and potential purchasers may decline to purchase our products.

We may become subject to product liability lawsuits, which could result in significant expense to us, adversely affecting our resources and the development of sales of our products, and thereby delaying the commercialization of our products.

The commercialization of our fuel cell products also depends upon our ability to significantly reduce the costs of these products, since they are currently more expensive than products based on existing technologies, such as ICEs and batteries. We may not be able to sufficiently reduce the cost of these products without reducing their performance, reliability and durability, which would adversely affect the willingness of consumers to buy our products.

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

We expect to incur continued losses over the next several years. If we are unable to successfully implement our business plan, our cash requirements may increase and we may find it difficult to raise additional funding. We expect our cash reserves will be reduced due to future operating losses, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary.

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

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

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

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

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

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

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

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

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

Our fuel cell products represent emerging markets, and we do not know whether end-users will want to use them in commercial volumes. 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 focused primarily on research and development, and have limited experience manufacturing fuel cell products on a commercial basis. To meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market our products, we will have to produce our fuel cell products through high volume automated processes. These large scale, automated processes will require significant advances in manufacturing technology. We do not know whether or when we will be able to develop the manufacturing technology necessary to achieve efficient, high-volume, low-cost manufacturing capability and processes. Moreover, developing these processes will require substantial capital, and we do not know whether we will be able to secure sufficient funding on terms acceptable to us. Our failure to develop such manufacturing processes and capabilities could have a material adverse effect on our business and financial results.

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

We have established relationships with third party suppliers, on whom we rely to provide materials and components for our products. A supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meet our quality, quantity or cost requirements, or our inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to us, could harm our ability to manufacture our products. To the extent that the processes that our suppliers use to manufacture the materials and components are proprietary, we may be unable to obtain comparable materials or components from alternative suppliers, which could adversely affect our ability to produce viable fuel cell products or significantly raise our cost of producing such products.

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

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

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

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

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

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

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

Failure to protect our existing intellectual property could seriously harm our business and prospects because we believe that developing new products that are unique to us is critical to our success. 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 2009 and 2027. Our present or future-issued

patents may not protect our technological leadership, and our patent portfolio may not continue to grow at the same rate as it has in the past. Moreover, our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, there is no assurance that: (a) any of the patents owned by us or other patents that third parties license to us will not be invalidated, circumvented, challenged, rendered unenforceable or licensed to others; or (b) any of our pending or future patent applications will be issued with the breadth of claim coverage sought by us, if issued at all. In addition, effective patent, trade secret, trademark and copyright protection may be unavailable, limited or not applied for in certain countries.

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

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

We may be involved in intellectual property litigation that causes us to incur significant expenses or prevents us from selling our products.

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. In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to: (a) pay substantial damages; cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property.

We may not be successful in such development or acquisition or that such licences would be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources, and could have a material adverse effect on our business and financial results.

We currently face and will continue to face significant competition.

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

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

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

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

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

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

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

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

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

Our business exposes us to potential product liability claims that are inherent in hydrogen and products that use hydrogen. Hydrogen is a flammable gas and therefore a potentially dangerous product. Any accidents involving our products or other hydrogen-based products could materially impede widespread market acceptance and demand for our fuel cell products. 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, 2008, each interim financial statement issued after December 31, 2008, our management proxy circular and our Annual Report may be obtained upon request from our Corporate Secretary, 9000 Glenlyon Parkway, Burnaby, British Columbia, V5J 5J8, or on our website at www.ballard.com.

APPENDIX "A" BOARD OF DIRECTORS MANDATE

Purpose

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

COMPOSITION

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

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

C) The Board will appoint its own Chair.

MEETINGS

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

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

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

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

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

I) A majority of directors constitute a quorum.

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

DUTIES AND RESPONSIBILITIES

K) **Selection of Management**

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

L) **Corporate Strategy**

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

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

M) **Fiscal Management and Reporting**

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

N) **Legal Compliance**

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

O) **Statutory Requirements**

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

P) **Formal Board Evaluation**

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

Q) **Risk Management**

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

R) **External Communications**

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

APPENDIX "B" Director Terms of Reference

MANDATE

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

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

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

DUTIES AND RESPONSIBILITIES

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

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

B) exercise good judgment and act with integrity;

C) avoid conflicts of interest;

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

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

F) ensure that Ballard operates according to best practices;

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

H) act and function independently of management; and

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

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

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

B) attend each meeting, whenever possible;

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

D) have acquired adequate information necessary for decision making;

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

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

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

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

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

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

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

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

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

APPENDIX "C" AUDIT COMMITTEE MANDATE

Purpose

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

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

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

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

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

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

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

Committee, and the Audit Committee has the authority to terminate the external auditors' engagement;

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

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

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

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

Composition and Eligibility

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

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

C) The Committee will appoint the Committee Chair.

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

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

(i) an understanding of Generally Accepted Accounting Principles ("GAAP") or the generally accepted accounting principles used by the issuer in preparing its primary financial statements filed with the SEC;

(ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more person engaged in such activities;

(iv) an understanding of internal controls and procedures for financial reporting; and

(v) an understanding of audit committee functions.

The financial expert must have acquired the requisite attributes through any one or more of the following methods:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(iv) other relevant experience, based on the determination by the board of directors as to the specific experience, which satisfies this requirement.

F) Any member of the Committee who serves on more than three public company audit committees must inform the Chair of the Board, so that the board may consider and discuss with such member any issues related to his or her effectiveness and time commitment.

Meetings

A) The Committee will meet at least quarterly. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as the Corporation's other financial disclosures and related party transactions. The Chair, CEO, CFO, Controller, internal and external auditors or any member of the Committee may request additional meetings.

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

C) Meetings will be chaired by the Chair of the Committee, or if the Chair is absent, by a member chosen by the Committee from among themselves.

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

E) All directors who are not Committee members will be given notice of every meeting of the Committee and will be allowed to attend as observers, unless deemed inappropriate by the Committee in cases where a potential conflict of interest may exist, such as discussions concerning related party transactions.

F) The CEO, CFO, Controller and internal auditor shall have direct access to the Committee and shall receive notice of and attend all meetings of the Committee, except the in-camera sessions.

G) The external auditors will be given notice of, and have the right to appear before and to be heard at, every meeting of the Committee and will appear before the Committee when requested to do so by the Committee.

H) The Committee is authorized to request the presence, at any meeting, of senior management, legal counsel or anyone else who could contribute substantively to the subject of the meeting.

I) The Committee members will receive minutes of all meetings of the Corporation's internal Disclosure Committee.

J) A majority of Committee members constitute a quorum.

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

L) The minutes of all meetings of the Committee will be provided to the board of directors. The Chair of the Committee will provide an oral report on the Committee's activities to the board of directors at the next regularly scheduled meeting of the board following each Committee meeting.

M) Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.

N) The Committee may form and delegate authority to subcommittees. In particular, the Committee may delegate to one or more of its members the authority to pre-approve audit or permissible non-audit services, provided that the decisions of any member(s) to whom pre-approval authority is delegated will be presented to the Committee at the next Committee meeting.

Duties and Responsibilities

A) Investigations

The Committee is empowered to investigate any activity of the Corporation and all employees are to co-operate as requested by the Committee. The Committee may retain outside advisors having special expertise to assist it in fulfilling its responsibilities, and determine the appropriate level of remuneration for such outside advisors.

B) Financial Reporting Control Systems

The Committee will:

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

(ii) review with management procedures followed with respect to disclosure controls and procedures;

(iii) review the management letter from the external auditors and the Corporation's responses to suggestions made;

(iv) annually review specific matters affecting financial reporting, including but not limited to, the Corporation's insurance coverage, the status of the

Corporation's tax loss carry-forwards, pension and health care liabilities, and off balance sheet transactions;

(v) review the appointment of the financial senior executives of the Corporation, prior to recommendation by the Management Development, Nominating & Compensation Committee ("MDNCC") to the board;

(vi) establish and maintain a set of procedures for the receipt, retention and treatment of complaints received by the Corporation concerning accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

(vii) discuss and consider policies with respect to risk assessment and risk management, including:

a) review and periodic approval of management's risk philosophy and risk management policies;

b) review with management, at least annually, of reports demonstrating compliance with risk management policies; and

c) discussing with management, at least annually, the Corporation's major financial risk exposures and the steps management has taken to monitor and control such expenses including the Corporation's risk assessment and risk management policies.

(viii) meet separately and periodically, no less than annually, with management, with internal auditors (or the persons responsible for the internal audit function) and with external auditors.

C) Interim Financial Statements

The Committee will, prior to their release, review and approve the interim (quarterly) financial statements and Management's Discussion and Analysis with the Corporation's officers and external auditors. This will include significant transactions, which have occurred in the quarter.

D) Annual Financial Statements and Other Financial Information

The Committee will:

(i) review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;

(ii) obtain summaries of significant transactions, and other complex matters whose treatment in the annual financial statements merits advance consideration;

(iii) obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by the Corporation's officers;

(iv) review a summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments;

(v) review and approve the annual financial statements, Management's Discussion and Analysis and the auditors' report thereon, and discuss them in detail with the Corporation's officers and the external auditors;

(vi) review and recommend to the board of directors approval of all financial disclosure contained in prospectuses, annual information forms, management proxy circulars and other similar documents;

(vii) before the release of each quarterly report and the annual financial statements, discuss with the external auditors all matters required by SAS 61 (including the auditors' responsibility under GAAP, the selection of and changes in significant accounting policies or their application, management judgments and accounting estimates, significant audit adjustments, the external auditors' responsibility for information other than financial statements, disagreements with management, consultation with other accountants, and difficulties encountered in performing the audit) and CICA Handbook section 5751 (which governs the communications between the external auditors and the Committee);

(viii) provide the board of directors with a recommendation for approval of the annual financial statements; and

(ix) discuss earnings press releases and earnings guidance, as well as the release of significant new financial information.

E) Relationship with External Auditors

The Committee will:

(i) recommend the appointment of the external auditors (for approval by the shareholders at the Corporation's annual meeting of shareholders); if there is a plan to change auditors, review all issues related to the change

and the steps planned for an orderly transition. The external auditors will report directly to the Committee, and the Committee has the authority to terminate the external auditors' engagement. The Committee will not recommend the appointment of an external auditor who has previously employed the Corporation's CEO, CFO, Controller or chief accounting officer and where such person participated in any capacity in the audit of the Corporation within the past year;

(ii) annually review and approve the terms of engagement and determine the remuneration of the external auditors;

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

(iv) monitor the external auditors' qualifications and independence through the activities listed in section (G) below, "Independence of External Auditors"

(v) review the audit plan with the external auditors and approve all substantive audit services in advance;

(vi) approve in advance any services to be provided by the external auditors which are not related to the audit, including the fees and terms of engagement relating to such non-audit services for the Corporation and its subsidiaries. Specifically, the Committee must not allow the external auditors to provide the following services:

a) bookkeeping services;

b) financial information systems design and implementation;

c) appraisal or valuation services, fairness opinions or contribution-in-kind reports;

d) actuarial services;

e) internal audit services which relate to the Corporation's internal accounting controls, financial systems or financial statements;

f) investment banking, broker, dealer or investment advisor services;

g) management and human resources services;

h) legal services and expert services unrelated to the audit (however the external auditors may provide tax services); and

i) any other services that the Public Company Accounting Oversight Board or the Canadian Public Accountability Board determines by regulation, or the Corporation's board of directors determines, to be impermissible.

(vii) review quarterly all fees paid to external auditors;

(viii) review performance against audit proposal plan;

(ix) discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters;

(x) receive from the external auditors a report with respect to:

a) all critical accounting policies and practices;

b) all alternative treatments of financial information within GAAP that have been discussed with management, implications of their use and the external auditors' "preferred treatment"

c) any other material written communications between the external auditors and management;

d) the internal quality-control procedures of the external auditors;

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

f) all relationships between the external auditors and the Corporation as detailed in §(i) under Section (G) below "Independence of External Auditors"

(xi) resolve all disagreements between management and the external auditors regarding financial reporting; and

(xii) ensure that the audit partners representing the external auditors meet the rotation requirements set out by the U.S. Securities and Exchange Commission and by any other applicable Canadian or U.S. securities regulatory authority or stock exchange.

F) Treasury

The Committee will:

(i) review and approve the Treasury Policy;

(ii) review the quarterly Treasury Report;

(iii) review and approve the Foreign Exchange Policy; and

(iv) review and approve any commodities hedging policy.

G) Independence of External Auditors

The Committee will oversee the independence of the Corporation's external auditors by:

(i) receiving from the external auditors, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation consistent with ISBS No. 1 and CICA Handbook Section 5751;

(ii) reviewing and actively discussing with the board of directors, if necessary, and the external auditors, on a periodic basis, any relationships or services between the external auditors and the Corporation or any other relationships or services that may impact the objectivity and independence of the external auditors;

(iii) recommending, if necessary, that the board of directors take action to satisfy itself, of the external auditors' independence; and

(iv) ensuring that the Corporation does not hire as the Corporation's CEO, CFO, Controller or chief accounting officer any person who was employed by the Corporation's external auditors and who participated in any capacity in the audit of the Corporation during the one-year period preceding the initiation of the current audit.

H) Internal Audit and Controls

(i) The Committee will ensure that the Corporation has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements and to manage financial and asset related risks.

(ii) The Committee will review quarterly the internal auditors' report on the adequacy of the Corporation's internal controls, policies and procedures.

(iii) The Committee will annually review and approve the internal audit plan.

(iv) The Committee will regularly review progress against the approved internal audit plan, and adjust the plan to deal with emerging issues as required.

l) Related Party Transactions

The Committee will review and approve all related party transactions, other than those related party transactions in respect of which the board has delegated review to a special committee or independent directors or those related party transactions which are previously approved under the mandate of the MDNCC, including, but not limited to, executive employment agreements and compensation matters. A related party transaction is defined as a transaction in which the Corporation or any of its subsidiaries is to be a party, which involves an amount exceeding U.S. $60,000 and in which any of the following persons have a direct or indirect material interest:

(i) a director or executive officer of the Corporation;

(ii) any nominee for election as a director of the Corporation;

(iii) any security holder of the Corporation known by the Corporation to own (of record or beneficially) more than 5% of any class of the Corporation's voting securities; and

(iv) any member of the immediate family of any of the foregoing persons.

In carrying out its responsibilities in reviewing and approving related party transactions, the Committee will:

(v) receive details of all related party transactions proposed by the Corporation, other than those related party transactions which the board has delegated review of to a special committee of independent directors;

(vi) discuss such related party transactions with the representatives of the relevant parties (the "Representatives") and with the Corporation's executive officers;

(vii) review the terms and conditions of each related party transaction;

(viii) with respect to the holders of common shares, consider the effect of the related party transaction on, and the fairness of the related party transaction to, such shareholders;

(ix) recommend any revisions to the structure of the related party transaction that the Committee considers to be necessary or advisable;

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

(xi) if approval of the board of directors is necessary, provide a recommendation to the board of directors with respect to the related party transaction; and

(xii) review a summary of completed related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the committee.

As part of its review of all related party transactions, the Committee will review all modifications to existing loans and advances to the Corporation's executive officers or directors.

J) Other

The Committee will:

(i) perform an annual review of management's compliance with the Corporation's code of ethics and workplace guidelines policy;

(ii) perform an annual review of the succession plans for the Corporation's CFO and Controller;

(iii) perform an annual review of this Committee mandate, with any recommended changes being forwarded to the Corporate Governance Committee and ultimately the board for approval; and

(iv) annually review the audit of the expense reports of the Chair of the Board of Directors and the CEO.

Performance Evaluation

K) The Committee will perform an annual evaluation of its performance, having regard to the issues reviewed during the year.

COMMITTEE TIMETABLE

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

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Financial Reporting Control Systems												
(i) Review with management any significant changes in financial risks facing the Corporation.			✓	✓			✓			✓		
(ii) Review with management procedures followed with respect to disclosure controls and procedures.			✓	✓			✓			✓		
(iii) Review the management letter from the external auditor and corporation's responses to suggestions made.				✓								
(iv) Annually review the Committee mandate.			✓									
(v) Review specific matters as required affecting financial reporting such as insurance coverage, the status of the Corporation's tax loss carry-forwards, pension and health care liabilities, and off balance sheet transactions.										✓		
(vi) Review the appointment of the financial senior executives of the Corporation.			✓	✓			✓			✓		
(vii) Establish and maintain a set of procedures for the receipt, retention and treatment of complaints received by the Corporation concerning accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and review submissions as received.			✓	✓			✓			✓		
(viii) Discuss and consider policies with respect to risk assessment and risk management.												✓
(ix) Meet separately and periodically, no less than annually, with management, with internal auditors (or persons responsible for the internal audit function) and with independent auditors.			✓	✓			✓			✓		
B) Interim Financial Statements												
(i) Review and approval of interim financial statements and MD&A.				✓			✓			✓		
C) Annual Financial Statements and Other Financial Information												
(i) Review any changes in accounting policies or financial			✓	✓			✓			✓		

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
reporting requirements that may affect the current year's financial statements.												
(ii) Obtain summaries of significant transactions, and other complex matters whose treatment in the annual financial statements merits advance consideration.			✓	✓			✓			✓		
(iii) Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by the Corporation's officers.			✓									
(iv) Review summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments.			✓	✓			✓			✓		
(v) Discuss the annual financial statements, MD&A and the auditors' report thereon in detail with the Corporation's officers and the external auditors.			✓									
(vi) Review and recommend to the board of directors approval of all financial disclosure contained in prospectuses, annual information forms, management proxy circulars and other similar documents.			✓									
(vii) Before the release of each quarterly report and annual financial statements, discuss with the external auditors all matters required by SAS 61 and CICA Handbook section 5751.			✓	✓			✓			✓		
(viii) Provide the board with a recommendation for approval of the annual financial statements.			✓									
(ix) Discuss earnings press releases and earnings guidance as well as the release of significant new financial information.			✓	✓			✓			✓		
D) Relationship with External Auditors												
(i) Annually appoint (subject to shareholder approval) external auditor.			✓									
(ii) Annually review and approve terms of engagement and determine remuneration of external auditor.										✓		
(iii) Review representation letters given by management to external auditor.			✓	✓			✓			✓		
(iv) Monitor the external auditor's qualifications and independence through the activities listed in SectionG.			✓									
(v) Review the audit plan with the external auditors and approve all substantive audit services in advance.										✓		

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(vi) Approve permissible non-audit services in advance.			✓	✓			✓					
(vii) Review all fees paid to external auditors.			✓	✓			✓			✓		
(viii) Review performance against audit proposal plan.			✓									
(ix) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.			✓	✓			✓			✓		
(x) Receive a report from the external auditor with respect to:												
(a) all critical accounting policies and practices;			✓									
(b) all alternative treatments of financial information within GAAP that have been discussed with management, implications of their use and the external auditors' "preferred treatment";			✓									
(c) any other material written communications between the auditor and management;			✓									
(d) the internal quality-control procedures of the external auditors;			✓									
(e) any material issues raised by the most recent internal quality-control review of the external auditors' firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such firm, and any steps taken to deal with any such issues; and			✓									
(f) all relationships between the external auditors and the Corporation, as detailed in §(i) under Section G– Independence of External Auditors.			✓									
(xi) Resolve all disagreements between management and the external auditors regarding financial reporting.				✓			✓			✓		
(xii) Ensure that the audit partners representing the external auditors meet the rotation requirements set out by the U.S. Securities and Exchange Commission and by any other applicable Canadian or U.S. securities regulatory authority or stock exchange.										✓		
E) Treasury												
(i) Review and approve the Treasury Policy.				✓								
(ii) Review the Quarterly Treasury Report.			✓	✓			✓			✓		
(iii) Review and approve the Foreign Exchange Policy.				✓								

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
F) Independence of External Auditors												
(i) Receive from the external auditors, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation consistent with ISB No. 1.			✓									
(ii) Review and actively discuss with the Board of Directors, if necessary, and the external auditors, on a periodic basis, any disclosed relationships or services between the external auditors and the Corporation or any other disclosed relationships or services that may impact the objectivity and independence of the external auditors.			✓									
(iii) Recommend, if necessary, that the Board take action to satisfy itself, of the external auditors' independence.			✓									
(iv) Ensure that the Corporation does not hire as the Corporation's CEO, CFO, Controller or chief accounting officer any person who was employed by the Corporation's external auditors and who participated in any capacity in the audit of the Corporation during the one-year period preceding the initiation of the current audit.			✓	✓			✓			✓		
G) Internal Audit and Controls												
(i) Ensure that the Corporation has appropriate systems of internal control.			✓	✓			✓			✓		
(ii) Review quarterly the internal auditors' report on the adequacy of the internal controls, policies and procedures.			✓	✓			✓			✓		
(iii) Annually review and approve internal audit plan.				✓								
H) Related Party Transactions												
(i) Review and approve the Corporation's related party transactions over US$60,000.			✓	✓			✓			✓		✓
(ii) Review a summary of the Corporation's related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the Committee.			✓	✓			✓			✓		✓
I) Other												
(i) Annually review management's compliance with the Corporation's Code of Ethics & Workplace Guidelines Policy.												✓
(ii) Annually review the succession plans for the												✓

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
Corporation's CFO and Controller.												
(iii) Annually review the audit of expense reports of the Chairman of the Board of Directors and the CEO.				✓								
J) Performance Evaluation												
(i) Review annual evaluation of the Committee's performance.			✓									

APPENDIX "D" MANAGEMENT DEVELOPMENT, NOMINATING & COMPENSATION COMMITTEE MANDATE

PURPOSE

The purpose of the Management Development, Nominating & Compensation Committee (the "Committee") is to review and approve the Corporation's employee and management compensation policies and practices, incentive compensation plans (cash and equity-based short and long term incentive plans), the amount and form of compensation of the executive officers of the Corporation, all appointments of employees as executive officers, all director nominations to the board and succession plans for directors and executive officers of the Corporation. In this Mandate, the "Corporation" means Ballard Power Systems Inc. and a "director" means a board member.

COMPOSITION

A) There will be at least three members of the Committee.

B) All of the members of the Committee must be independent directors.

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

D) The Committee Chair will be appointed by the Committee.

MEETINGS

A) The Committee will meet at least four times per year.

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

C) Meetings will be chaired by the Chair of the Committee, or if the Chair is absent, by a member chosen by the Committee from among themselves.

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

E) The Committee will conduct an in-camera session at the end of each Committee meeting without management present.

F) All directors who are not members of the Committee will be given notice of every meeting of the Committee and will be allowed to attend as observers.

G) The President and CEO will be given notice of all meetings and will normally be requested to attend, other than in cases where the Committee wishes to meet in-camera. Other executives or employees of the Corporation will attend at the request of the Committee.

H) A majority of Committee members constitute a quorum.

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

J) The minutes of all meetings of the Committee will be provided to the board of directors. The Chair of the Committee will provide an oral report on the Committee's activities to the board of directors at the next regularly scheduled meeting of the board following each Committee meeting.

DUTIES AND RESPONSIBILITIES

A) Determine remuneration and other benefits of the Corporation's executive officers and consultants and performance bonuses and long term incentives for the Corporation's employees.

In fulfilling this responsibility, the Committee will

(i) Annually approve and recommend to the board of directors of the Corporation the corporate multiplier reflecting the Corporation's prior year performance,

(ii) Annually review the Corporation's performance bonus plan, approve performance bonus awards to the Corporation's non-executive employees,

and recommend to the board of directors of the Corporation any issuances of common shares of the Corporation in payment of such performance bonuses,

(iii) Annually approve long term incentive awards to the Corporation's non-executive employees, and recommend to the board of directors of the Corporation any issuances of equity based incentives,

(iv) annually approve the CEO's personal performance goals,

(v) determine the remuneration, benefits and terms and conditions of employment of the CEO in light of the Corporation's financial and non-financial performance, and recommend to the board of directors of the Corporation any issuances of equity based compensation. Where the CEO is also the Chair of the Board, the Committee will also receive input from the Corporate Governance Committee on the evaluation and performance of the Chair of the Board,

(vi) approve the remuneration of the other executive officers of the Corporation, and recommend to the board of directors of the Corporation any issuances of equity based compensation,

(vii) have the authority to appoint, determine the level of remuneration for, oversee and terminate services provided by, consultants. Any consultants engaged by the Corporation at the direction of the Committee will report directly to the Committee and the Chair of the Committee is authorized to execute and deliver on behalf of the Corporation any agreements or other documents relating to the terms of such appointments, and

(viii) set and review executive share ownership guidelines and monitor compliance.

B) Recommend Board Nominees

The Committee will seek out and recommend to the board of directors the nominees for appointment, election or re-election to the board.

C) Review and approve the Corporation's equity-based incentive plans and recommend to the board of directors of the Corporation distributions under such plans

In fulfilling this responsibility the Committee will

(i) review eligibility criteria and award guidelines,

(ii) review the proposals of the CEO and approve and make determinations on equity-based incentive plans such as share option and share distribution plans, including any amendments thereto, and

(iii) review the proposals of the CEO and approve option, share and share equivalent allocations, and make recommendations to the board regarding the issuance of such options, shares and share equivalents.

D) Succession Planning

As required, the Committee will review and approve succession plans for directors, executive officers of the Corporation, and as deemed necessary by the Committee, any other officers or employees of the Corporation.

In fulfilling this responsibility for succession plans for directors, the Committee will:

(i) develop and regularly review director qualification standards,

(ii) develop a procedure for director selection to ensure that a broad number of skills are present on the board, and

(iii) to the extent required by applicable laws or regulations, ensure that there is a procedure to allow individual shareholders to recommend director nominees to the Committee for consideration.

In fulfilling this responsibility for succession plans for executive officers, the Committee will:

(iv) review the functions of officers of the Corporation,

(v) review and discuss qualifications of proposed candidates named in succession plans, and

(vi) provide guidance to management with respect to the succession plans.

E) Review and approve regulatory filings

The Committee will review and approve the disclosure to be made of director and executive remuneration in the Management Proxy Circular.

F) Seek information from the Corporation or independent advisors

The Committee will have the authority to seek any information that it requires from any officer or employee of the Corporation. The Committee is authorized to obtain such independent advice as it considers necessary.

G) Other

The Committee will:

(i) perform an annual review of this Committee mandate, with any recommended changes being forwarded to the Corporate Governance Committee and ultimately the board for approval;

(ii) perform an annual evaluation of its performance, having regard to the issues reviewed during the year; and

(iii) review the results arising from the Corporation's annual employee survey, in years in which one is conducted.

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

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Board Nominees												
(i) Board succession planning											✓	
(ii) Review upcoming year's board nominees.			✓									
(iii) Approval of nominees for board to be included in management proxy circular(3)			✓									
B) Executive Nominees												
(i) Approve succession plans for executive officers										✓		
(ii) Approve compensation of new executive officers (as required)												
(iii) Confirmation of executive team(3)						✓						
(iv) Set and review executive share ownership guidelines and monitor compliance											✓	
C) The Corporation's Incentive Plans												
(i) Review and approval of new compensation and incentive plans, as necessary										✓ (1)	✓ (2)	
(ii) Review and approve corporate bonus goals(3)											✓	
(iii) Review and approve corporate multiplier(3)			✓									
D) CEO Performance												
(i) Review and approve the CEO evaluation process											✓	
(ii) Evaluate CEO performance			✓									
(iii) Set CEO's personal performance goals			✓									
E. Compensation												
(i) Review of compensation policy and										✓	✓	

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
competitive pay position relative to market										(1)	(2)	
(ii) Review and approval of retirement/pension plan design and application issues										✓		
(iii) Review of executive and employee annual compensation adjustment budget and long term incentives funding proposal											✓	
(iv) Review and approve proposed executive salary increase guidelines											✓	
(v) Approval of CEO compensation adjustments and bonus awards (shares and share equivalents) for prior year performance, and long term incentive allocations(2) and approval of issuance of shares, share equivalents and long term incentives(3)			✓									
(vi) Approval of executive and employee compensation adjustments and bonus awards (cash, shares and share equivalent) for prior year performance, and long term incentive allocations(2) and approval of issuance of shares, share equivalents and long term incentives(3)			✓									
F. Miscellaneous												
(i) Approval of committee's report for inclusion in management proxy circular(3)			✓									
(ii) Annually review Committee mandate(3)			✓									
(iii) Annually review employee survey results										✓		

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(1) Review

(2) Approve

(3) Approve and recommend for board approval

APPENDIX “E” CORPORATE GOVERNANCE COMMITTEE MANDATE

PURPOSE

The purpose of the Corporate Governance Committee (the "Committee") is to monitor the governance of the board of directors (including the size of the board and the profiles of the board members) and board committees, and to monitor director compensation matters. In this Mandate, the "Corporation" means Ballard Power Systems Inc. and a "director" means a board member.

COMPOSITION

A) The Committee will be composed of no fewer than three directors.

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

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

D) The Committee will appoint its own Chair.

MEETINGS

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

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

C) Meetings will be chaired by the Chair of the Committee, or in his absence by a member chosen by the Committee from among themselves.

D) If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each

other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

E) The Committee will conduct an in-camera session at the end of each Committee meeting without management present.

F) All directors who are not Committee members will be given notice of every meeting of the Committee and will be allowed to attend as observers, other than in cases where the Committee wishes to meet in-camera.

G) The President and CEO and Chair of the Board will be given notice of all meetings and will normally be requested to attend, other than in cases where the Committee wishes to meet in-camera. Other executive officers or employees of the Corporation will attend at the request of the Committee.

H) A majority of Committee members constitute a quorum.

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

J) The minutes of all meetings of the Committee will be provided to the board of directors. The Chair of the Committee will provide an oral report on the Committee's activities to the board of directors at the next regularly scheduled meeting of the board following each Committee meeting.

DUTIES AND RESPONSIBILITIES

A) Monitor corporate governance issues.

In fulfilling this responsibility, the Committee will:

(i) advise the Chair of the Board and the board of directors on matters of corporate governance;

(ii) advise the board on issues of conflict of interest for individual directors;

(iii) conduct, on an annual basis, an assessment of the effectiveness of the board, the committees of the board, and the individual directors, and report on such assessments to the full board;

(iv) annually review the mandates for the board, each board committee and board committee chair, and terms of reference for individual directors;

(v) recommend to the board the approval of any required or appropriate change to any document referenced in (A)(iv);

(vi) set and monitor minimum attendance guidelines for board of directors and committee meetings;

(vii) set and periodically review director minimum share ownership requirements;

(viii) develop, in conjunction with the Chair of the Board and the President & CEO, and review, annual board goals or improvement priorities;

(ix) consider and approve, where appropriate, requests by individual directors to engage the services of outside experts and advisors at the expense of the Corporation, so long as the CEO is given full knowledge of such engagement, unless the provision of such knowledge would be inappropriate in the circumstances;

(x) at the request of the board, consider any other matters which will assist the board to meet its responsibilities regarding corporate governance matters, including adherence to any governance guidelines or rules established by applicable regulatory authorities;

(xi) develop guidelines for the required resignation of directors;

(xii) annually review the corporate governance disclosure contained in the Corporation's management proxy circular and annual information form; and

(xiii) have the authority to appoint, determine the level of remuneration for, oversee and terminate the services provided by consultants. Any consultants engaged by the Corporation at the direction of the Committee will report directly to the Committee and the Chair of the Committee is authorized to execute and deliver on behalf of the Corporation any agreements or other documents relating to the terms of such appointments.

B) Recommend to the board of directors the size of the board and the membership of all board committees.

The Committee will make a recommendation to the board annually on the size of the board. The Committee will also recommend to the board annually the directors for appointment to the board committees.

C) Organize, review and recommend continuing education programs and policies relating to directors

As required, the Committee will:

(i) with the assistance of management, organize and provide an appropriate orientation and education program for new directors, provide continuing education materials to directors;

(ii) organize and recommend educational presentations to be made to the board where appropriate; and

(iii) review from time to time any policies with respect to term limits for length of service by, and mandatory retirement age of, directors.

D) Determine the compensation of the directors.

The Committee will review the adequacy and form of compensation for directors and ensure that such compensation realistically reflects the responsibilities and risks involved. The Committee will also review and approve any equity compensation plans, including any amendments thereto, relating to the issuance of equity compensation to directors.

E) Evaluate the performance of the Chair of the Board.

The Committee will evaluate the performance of the Chair of the Board.

In fulfilling this responsibility, the Committee will:

(i) establish formal performance objectives;

(ii) monitor the performance of the Chair of the Board; and

(iii) provide formal and informal feedback on performance.

F) Develop and implement succession planning strategies for the Chair of the Board.

G) Assess responsibilities of management.

The Committee will assess the relationship between the board and executive officers and recommend, as necessary, limits on the authority of management where board input is required.

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

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Corporate Governance												
(i) Determine process for board evaluation											✓	
(ii) Assess the effectiveness of the board of directors			✓									
(iii) Review the mandates for the board, each board committee and board committee chair, and terms of reference for individual directors			✓									
(iv) Review director minimum share ownership requirements										✓		
(v) Review annual board goals or improvement priorities			✓							✓		
(vi) Review and approve the corporate governance disclosure contained in the Corporation's management proxy circular and annual information form			✓									
(vii) Receive report from management regarding submissions to the Office of the Chair e-mail address			✓			✓				✓	✓	
(viii) Review policies/guidelines relating to directors including provisions for resignations and term limits						✓					✓	
B. Size of Board and Board Committees												
(i) Recommend to the board the size of the board			✓									
(ii) Recommend to the board the directors for appointment to the board committees						✓						
C. Board Education												
(i) Review board education plan annually						✓						
D. Director Compensation												
(i) Review levels of director compensation and approve any changes										✓		
E. Board Chair Evaluation												
(i) Review Chair's performance			✓									
(ii) Review succession planning										✓		

EXHIBIT 99.4

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

I, **John Sheridan,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: March 20, 2009

/s/ John Sheridan
John Sheridan
President and Chief Executive Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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

I, **Jay Murray,** 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.

Dated: March 20, 2009

/s/ Jay Murray
Jay Murray
Controller and acting Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.5

Section 906 Certification

Certification Pursuant to

18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Ballard Power Systems Inc., a corporation organized under the laws of Canada (the "Company"), for the period ending December 31, 2008 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:

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 20, 2009

/s/ John Sheridan
John Sheridan
President and Chief Executive Officer

Dated: March 20, 2009

/s/ Jay Murray
Jay Murray
Controller and acting Chief Financial Officer

KPMG LLP
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Ballard Power Systems Inc.

We consent to the inclusion in this annual report on Form 40-F of:

- our auditor's report dated March 2, 2009 on the consolidated balance sheets of Ballard Power Systems Inc. (the "Company") as at December 31, 2008 and 2007, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008,

- our Report of Independent Registered Public Accounting Firm dated March 2, 2009 on the effectiveness of internal control over financial reporting as of December 31, 2008,

each of which is included in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2008.

We also consent to the incorporation by reference of such report in the Registration Statement (No. 333-156553) on Form S-8 of Ballard Power Systems Inc.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 20, 2009

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