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

Form 40-F

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

OR

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

For the fiscal year ended December 31, 2013 **Commission File Number 000-53543**

Ballard Power Systems Inc.
(Exact name of Registrant as specified in its charter)

CANADA
(Province or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

Not Applicable

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

Not Applicable

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

S Annual information form S Audited annual financial statements

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

110,133,901 Common Shares

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

Yes S No £

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

Yes £ No £

The Annual Report on Form 40-F shall be incorporated by reference into or as an exhibit to, as applicable, the following Registration Statements of the Registrant filed under the Securities Act of 1933: Form S-8 (File No. 333-156553 and 333-161807); and Form F-10 (File No. 333-180579).

Documents Incorporated by Reference

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

- the Registrant's Annual Information Form for the year ended December 31, 2013;
- the Registrant's Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012; and
- the Registrant's Management's Discussion and Analysis for the year ended December 31, 2013.

Explanatory Note

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

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

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

Forward Looking Statements

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

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

Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control Over Financial Reporting

The required disclosure is included in Management's Discussion and Analysis, which is incorporated herein by reference to Exhibit 99.2. The Registrant's independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of the Registrant's internal control over financial reporting. KPMG LLP's attestation is located in the Report of Independent Registered Public Accounting Firm, which is incorporated herein by reference to Exhibit 99.1.

Identification of the Audit Committee and Audit Committee Financial Expert

The required disclosure is included in the Annual Information Form, under the heading “Audit Committee Matters”, which is incorporated herein by reference to Exhibit 99.3. The Audit Committee has at least one member, Ian A. Bourne, who qualifies as an audit committee financial expert under applicable securities regulations.

Code of Ethics

The Registrant has adopted a code of ethics that applies to all members of its Board of Directors, as well as its officers and employees. A copy of the code of ethics was previously filed with the Securities and Exchange Commission, is posted on the Registrant’s Internet website at www.ballard.com, and is available in print to any person without charge, upon written request to the corporate secretary of the Registrant. No waivers of the code of ethics have been granted to any principal officer of the Registrant or any person performing similar functions.

Principal Accountant Fees and Services

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

Off-Balance Sheet Arrangements

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

Tabular Disclosure of Contractual Obligations

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

NASDAQ Corporate Governance

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

Undertaking

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

Consent to Service of Process

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

SIGNATURES

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

Registrant: **Ballard Power Systems Inc.**

By (Signature and Title) /s/ Tony Guglielmin
_____
Tony Guglielmin
Vice President and Chief Financial Officer

Date: February 26, 2014

EXHIBIT LIST

Exhibit	Description
99.1	Ballard Power Systems Inc. Consolidated Financial Statements for the years ended December 31, 2013 and 2012
99.2	Ballard Power Systems Inc. Management's Discussion and Analysis for the year ended December 31, 2013
99.3	Annual Information Form for Ballard Power Systems Inc. dated as of February 26, 2014
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, 2013 and 2012

MANAGEMENT'S REPORT

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

The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The integrity and objectivity of the data in these consolidated financial statements are management's responsibility. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS. Internal control over financial reporting may not prevent or detect fraud or misstatements because of limitations inherent in any system of internal control. Management has assessed the effectiveness of the Corporation's internal control over financial reporting based on the framework in Internal Control – Integrated Framework (1992) 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, 2013. 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 four 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, 2013. 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"

JOHN SHERIDAN
President and
Chief Executive Officer
February 25, 2014

"TONY GUGLIELMIN"

TONY GUGLIELMIN
Vice President and
Chief Financial Officer
February 25, 2014

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of financial position of Ballard Power Systems Inc. (the "Company") as of December 31, 2013 and December 31, 2012 and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Chartered Accountants
Vancouver, Canada
February 25, 2014

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Ballard Power Systems Inc.'s ("the Company") internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the section entitled "Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting" under the heading "Internal control over financial reporting" included in Management Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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



We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of December 31, 2013 and December 31, 2012, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and our report dated February 25, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants
Vancouver, Canada
February 25, 2014

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

	Note	December 31, 2013	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents		**$ 30,301**	$ 9,770
Short-term investments		**-**	12,068
Trade and other receivables	9	**15,471**	16,374
Inventories	10	**14,087**	11,277
Prepaid expenses and other current assets		**852**	1,011
		60,711	50,500
Assets classified as held for sale	7	**-**	10,798
Total current assets		**60,711**	61,298
Non-current assets:			
Property, plant and equipment	11	**19,945**	24,316
Intangible assets	12	**2,716**	4,194
Goodwill	13	**36,291**	36,291
Investments	29	**157**	667
Long-term trade receivables	9	**219**	594
Other long-term assets		**175**	187
Total assets		**$ 120,214**	$ 127,547
Liabilities and Equity			
Current liabilities:			
Bank operating line	14	**$ -**	$ 9,358
Trade and other payables	15	**11,484**	12,215
Deferred revenue		**6,160**	3,705
Provisions	16	**6,819**	9,423
Finance lease liability	14 & 17	**1,399**	1,043
Debt to Dantherm Power A/S non-controlling interests	18	**566**	2,924
		26,428	38,668
Liabilities classified as held for sale	7	**-**	1,423
Total current liabilities		**26,428**	40,091
Non-current liabilities:			
Finance lease liability	14 & 17	**10,772**	13,011
Deferred gain		**4,734**	5,193
Provisions	16	**4,857**	5,089
Employee future benefits	19	**3,169**	6,161
Total liabilities		**49,960**	69,545
Equity:			
Share capital	20	**866,574**	845,630
Treasury shares	20	**(118)**	(313)
Contributed surplus	20	**296,368**	291,184
Accumulated deficit		**(1,091,187)**	(1,074,181)
Foreign currency reserve		**9**	92
Total equity attributable to equity holders		**71,646**	62,412
Dantherm Power A/S non-controlling interests		**(1,392)**	(4,410)
Total equity		**70,254**	58,002
Total liabilities and equity		**$ 120,214**	$ 127,547

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

Approved on behalf of the Board:

"Ed Kilroy" "Ian Bourne"
Director Director

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

	Note	2013	2012 (restated – note 3(e))
Revenues:			
Product and service revenues		**$ 61,251**	$ 43,690
Cost of product and service revenues		**44,492**	36,321
Gross margin		**16,759**	7,369
Operating expenses:			
Research and product development		**17,117**	19,273
General and administrative		**11,413**	12,306
Sales and marketing		**7,661**	6,901
Total operating expenses		**36,191**	38,480
Results from operating activities		**(19,432)**	(31,111)
Finance income (loss) and other	24	**215**	(219)
Finance expense	24	**(1,486)**	(1,690)
Net finance expense		**(1,271)**	(1,909)
Loss on sale of property, plant and equipment	11	**(23)**	(69)
Impairment loss on property, plant and equipment	11	**-**	(570)
Impairment loss on goodwill	13	**-**	(10,000)
Impairment loss on investment	29	**(513)**	-
Loss before income taxes		**(21,239)**	(43,659)
Income tax expense	25	**(485)**	-
Net loss from continuing operations		**(21,724)**	(43,659)
Net earnings (loss) from discontinued operations	7	**24**	(65)
Net loss		**(21,700)**	(43,724)
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit plans	19	**2,852**	(557)
		2,852	(557)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(192)**	(186)
Net loss on hedge of forward contracts		**-**	(20)
		(192)	(206)
Other comprehensive income (loss), net of tax		**2,660**	(763)
Total comprehensive loss		**$ (19,040)**	$ (44,487)

See accompanying notes to consolidated financial statements

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

		2013		2012 (restated – note 3(e))
Net income (loss) attributable to:				
Ballard Power Systems Inc. from continuing operations	**$**	**(19,988)**	$	(42,320)
Ballard Power Systems Inc. from discontinued operations		**24**		(65)
Dantherm Power A/S non-controlling interest		**(1,736)**		(1,339)
Net loss	**$**	**(21,700)**	$	(43,724)
Total comprehensive loss attributable to:				
Ballard Power Systems Inc.	**$**	**(17,195)**	$	(43,059)
Dantherm Power A/S non-controlling interest		**(1,845)**		(1,428)
Total comprehensive loss	**$**	**(19,040)**	$	(44,487)
Basic and diluted loss per share attributable to Ballard Power Systems Inc.				
Continuing operations	**$**	**(0.20)**	$	(0.48)
Discontinued operations		**0.00**		(0.00)
Net loss	**$**	**(0.20)**	$	(0.48)
Weighted average number of common shares outstanding		**100,030,457**		87,591,501

See accompanying notes to consolidated financial statements

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

	Ballard Power Systems Inc. Equity						Dantherm Power A/S	
	Number of shares	Share capital	Treasury shares	Contributed surplus	Accumulated deficit	Foreign currency reserve	Non-controlling interests	Total equity
Balance, December 31, 2011	84,550,524	$ 837,686	$ (515)	$ 289,219	$ (1,031,279)	$ 209	$ (2,975)	$ 92,345
Net loss	-	-	-	-	(42,385)	-	(1,339)	(43,724)
Acquisition (note 8)	7,136,237	7,493	-	-	-	-	-	7,493
Additional investment in Dantherm Power A/S	-	-	-	-	-	-	(7)	(7)
Purchase of treasury shares	-	-	(6)	-	-	-	-	(6)
DSUs redeemed	52,120	314	-	(358)	-	-	-	(44)
RSUs redeemed	49,095	113	208	(415)	40	-	-	(54)
Options exercised	13,501	24	-	(7)	-	-	-	17
Share distribution plan	-	-	-	2,745	-	-	-	2,745
Other comprehensive loss:								
Defined benefit plan actuarial loss	-	-	-	-	(557)	-	-	(557)
Foreign currency translation for foreign operations	-	-	-	-	-	(97)	(89)	(186)
Net loss on hedge of forward contracts	-	-	-	-	-	(20)	-	(20)
Balance, December 31, 2012	91,801,477	845,630	(313)	291,184	(1,074,181)	92	(4,410)	58,002
Net loss	**-**	**-**	**-**	**-**	**(19,964)**	**-**	**(1,736)**	**(21,700)**
Additional investment in Dantherm Power A/S	**-**	**-**	**-**	**-**	**-**	**-**	**1,319**	**1,319**
Redemption of convertible debenture by non-controlling interest (note 18)	**-**	**-**	**-**	**-**	**-**	**-**	**3,544**	**3,544**
Net Offering proceeds (note 20)	**17,625,000**	**19,977**	**-**	**-**	**-**	**-**	**-**	**19,977**
Proceeds on issuance of convertible promissory note (note 20)	**-**	**-**	**-**	**4,000**	**-**	**-**	**-**	**4,000**
Purchase of treasury shares	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**	**(6)**
DSUs redeemed	**26,652**	**22**	**-**	**(53)**	**-**	**-**	**-**	**(31)**
RSUs redeemed	**540,239**	**718**	**201**	**(1,727)**	**106**	**-**	**-**	**(702)**
Options exercised	**140,533**	**227**	**-**	**(74)**	**-**	**-**	**-**	**153**
Share distribution plan	**-**	**-**	**-**	**3,038**	**-**	**-**	**-**	**3,038**
Other comprehensive income (loss):								
Defined benefit plan actuarial gain	**-**	**-**	**-**	**-**	**2,852**	**-**	**-**	**2,852**
Foreign currency translation for foreign operations	**-**	**-**	**-**	**-**	**-**	**(83)**	**(109)**	**(192)**
Balance, December 31, 2013	**110,133,901**	**$ 866,574**	**$ (118)**	**$ 296,368**	**$ (1,091,187)**	**$ 9**	**$ (1,392)**	**$ 70,254**

See accompanying notes to consolidated financial statements

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

	Note	2013	2012 (restated – note 3(e))
Cash provided by (used for):			
Operating activities:			
Net loss for the year		**$ (21,700)**	$ (43,724)
Adjustments for:			
Compensatory shares	20	**3,775**	2,746
Employee future recovery		**(140)**	(81)
Depreciation and amortization		**5,731**	5,928
Loss (gain) on decommissioning liabilities		**(194)**	256
Loss on sale of property, plant and equipment	11	**23**	69
Impairment loss (reversal) on property, plant and equipment	11	**(45)**	1,070
Impairment loss on goodwill	13	-	11,815
Impairment loss on investment	29	**513**	-
Unrealized gain on forward contracts		-	(285)
		(12,037)	(22,206)
Changes in non-cash working capital:			
Trade and other receivables		**1,877**	65
Inventories		**(2,904)**	4,434
Prepaid expenses and other current assets		**192**	(151)
Trade and other payables		**(5,048)**	(10,459)
Deferred revenue		**2,430**	166
Warranty provision		**(1,926)**	5
		(5,379)	(5,940)
Cash used by operating activities		**(17,416)**	(28,146)
Investing activities:			
Net decrease in short-term investments		**12,068**	13,810
Additions to property, plant and equipment		**(485)**	(1,168)
Net proceeds on sale of property, plant and equipment and other		**227**	424
Net proceeds from disposition of Material Products division	7	**9,085**	-
Net investments in associated company	29	**(4)**	(32)
Other investment activities		**-**	(9)
		20,891	13,025
Financing activities:			
Purchase of treasury shares		**(6)**	(6)
Payment of finance lease liabilities		**(976)**	(999)
Net proceeds (repayment) of bank operating line	14	**(8,753)**	4,771
Net proceeds on issuance of share capital		**153**	17
Net Offering proceeds	20	**19,977**	-
Proceeds on issuance of convertible promissory note	20	**4,000**	-
Proceeds on issuance of share capital to Dantherm Power A/S non-controlling interests		**1,360**	-
Proceeds on issuance of debt to Dantherm Power A/S non-controlling interests	18	**1,165**	862
		16,920	4,645
Effect of exchange rate fluctuations on cash and cash equivalents held		**136**	(70)
Increase (decrease) in cash and cash equivalents		**20,531**	(10,546)
Cash and cash equivalents, beginning of period		**9,770**	20,316
Cash and cash equivalents, end of period		**$ 30,301**	$ 9,770

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

1. Reporting entity:

The principal business of Ballard Power Systems Inc. (the "Corporation") is the design, development, manufacture, sale , service, and license of fuel cell products for a variety of applications, focusing on "commercial stage" markets of Telecom Backup Power and Material Handling, and "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services for a variety of fuel cell applications. A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The Corporation's technology is based on proton exchange membrane ("PEM") fuel cells.

The Corporation is a company domiciled in Canada and its registered office is located at 9000 Glenlyon Parkway, Burnaby, British Columbia, Canada, V5J 5J8. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2013 comprise the Corporation and its subsidiaries (note 4(a)).

2. Basis of preparation:

(a) Statement of compliance:

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2014 .

(b) Basis of measurement:

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

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

(c) Functional and presentation currency:

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

2. Basis of preparation (cont'd):

(d) Use of estimates:

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

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

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

(e) Future operations:

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

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

3. Changes in accounting policies:

The Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements, with the exception of the following new accounting standards that were issued by the IASB and adopted by the Corporation, effective January 1, 2013. Certain comparative figures have been reclassified to conform to the basis of presentation adopted in the current period.

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

(a) IFRS 10 – *Consolidated Financial Statements:*

IFRS 10 *Consolidated Financial Statements* replaces SIC-12 *Consolidation – Special Purpose Entities*, and certain parts of IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

a) power over the investee;

b) exposure or rights to variable returns from involvement with the investee;

c) the ability to use power over the investee to affect the amount of the investor's returns.

The adoption of IFRS 10 did not change the Corporation's conclusions around control of its investees, and therefore no adjustments to previous accounting for investees were required.

(b) IFRS 11 – *Joint Arrangements:*

IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires that joint ventures be accounted for using the equity method of accounting and eliminates the need for proportionate consolidation.

The Corporation is not impacted by the adoption of IFRS 11.

(c) IFRS 12 – *Disclosure of Interests in Other Entities:*

IFRS 12 *Disclosure of Interests in Other Entities* introduces additional disclosure requirements relating to the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates, or unconsolidated structured entities) and the effects of those interests on its financial statements.

The adoption of IFRS 12 does not have a material impact on the consolidated financial statements.

(d) IFRS 13 – *Fair Value Measurements:*

IFRS 13 *Fair Value Measurement* establishes a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements.

In accordance with IFRS 13, the Corporation has included additional fair value disclosures in its consolidated financial statements.

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

(e) Amendments to IAS 19 – *Employee Benefits:*

The amendments to IAS 19 change the recognition and measurement of defined benefit pension expense and termination benefits, and enhance the disclosures for all employee benefits. Actuarial gains and losses are renamed "remeasurements" and are recognized immediately in other comprehensive income ("OCI"). Remeasurements recognized in OCI are not recycled through profit or loss in subsequent periods. The amendments also accelerate the recognition of past service costs whereby they are recognized in the period of a plan amendment. The annual expense for a funded benefit plan is computed based on the application of the discount rate to the net defined benefit asset or liability. The amendments to IAS 19 also impacts the presentation of pension expense as benefit cost is split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income.

The Corporation's previous accounting policy for employee benefits relating to the presentation of pension expense and the immediate recognition of actuarial gains and losses in OCI was predominantly consistent with the requirements in the new standard, and accordingly the retrospective adoption of the amendments to IAS 19 did not have a material impact on the consolidated financial statements.

As the Corporation adopted these amendments retrospectively, the comparative figures have been adjusted to reflect the accounting change for the defined benefit plan. The adjustments to the comparable period include a decrease to finance income (loss) and other of $250,000, and an increase to OCI of $250,000. The adjustments arise primarily from the interest on plan assets, which is calculated using the discount rate used to value the benefit obligation. Since the discount rate is lower than the expected rate of return on plan assets, the interest attributable to plan assets also declines resulting in the decrease to finance income (loss) and other. The difference between the actual rate of return on plan assets and the discount rate is included in OCI as a remeasurement. Also under these amendments, the interest cost on additional minimum funding liability is recorded in net income, whereas it was reported in OCI under the previous standard. The impact of this change is that the restated net income for 2012 decreases and OCI increases by the same amount, with no net impact on total comprehensive loss. The amendments to IAS 19 did not have a net impact on the statement of financial position.

(f) Amendments to IAS 1 – *Presentation of Financial Statements:*

The amendments to IAS 1 *Presentation of Financial Statements* require items of other comprehensive income and the corresponding tax expense to be grouped based on whether they will or will not be classified to the statement of earnings in the future.

In accordance with the amendments to IAS 1, the Corporation has modified its statement of profit or loss and other comprehensive income.

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

(g) Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets:*

The amendments to IAS 36 reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The adoption of the amendments to IAS 36 does not have a material impact on the consolidated financial statements.

4. Significant accounting policies:

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

(a) Basis of consolidation *:*

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

	Percentage ownership	
	2013	2012
Ballard Fuel Cell Systems Inc.	100%	100%
Ballard Material Products Inc.	n/a	100%
Ballard Power Corporation	100%	100%
Ballard Services Inc.	100%	n/a
Dantherm Power A/S	57% - 51.3%	52% - 57%

Subsidiaries are entities over which the Corporation exercises control, where control is defined as the power to govern financial and operating policies, generally owning greater than 50% of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions are eliminated in the consolidated financial statements.

4. Significant accounting policies (cont'd):

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

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

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

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

(b) Foreign currency:

(i) Foreign currency transactions

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

(ii) Foreign operations

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

4. Significant accounting policies (cont'd):

(c) Financial instruments:

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Cash and cash equivalents

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

Available-for-sale financial assets

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

Determination of fair value

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

(ii) Financial liabilities

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

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(iii) Share capital

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

(iv) (iv) Derivative financial instruments, including hedge accounting

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

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

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

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

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

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

Cash flow hedges

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

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

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

Other non-trading derivatives

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

(d) Inventories:

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes materials, labor and appropriate share of production overhead based on normal operating capacity. Costs of materials are determined on an average per unit basis.

4. Significant accounting policies (cont'd):

(d) Inventories (cont'd):

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which would impair the value of inventory on hand.

(e) Property, plant and equipment:

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Property, plant and equipment are depreciated 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 less its residual value over the estimated useful lives of the assets as follows:

Building	20 years
Building under finance lease	15 years
Computer equipment	3 to 7 years
Furniture and fixtures	5 to 14 years
Furniture and fixtures under finance lease	5 years
Leasehold improvements	The shorter of initial term of the respective lease and estimated useful life
Production and test equipment	4 to 15 years
Production and test equipment under finance lease	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

4. Significant accounting policies (cont'd):

(f) Leases:

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

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

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

(g) Goodwill and intangible assets:

Goodwill is recognized as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the fair value of the net identifiable assets acquired and liabilities assumed, as of the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

Intangible assets consist of fuel cell technology acquired from third parties and are recorded at cost less accumulated amortization and impairment losses. Intangible assets less their residual values are amortized over their estimated useful lives of 5 years using the straight-line method from the date that they are available for use. Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate. Costs incurred in establishing and maintaining patents and license agreements are expensed in the period incurred.

4. Significant accounting policies (cont'd):

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

Research costs are expensed as they are incurred. Product development costs are expensed as incurred except when they meet specific criteria for capitalization. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to and has sufficient resources to complete development to use or sell the asset. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs, if any, are amortized when commercial production begins over their estimated useful lives of 5 years using the straight-line method. Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Impairment:

(i) Financial assets

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

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

(ii) Non-financial assets

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

4. Significant accounting policies (cont'd):

(h) Impairment (cont'd):

(ii) Non-financial assets (cont'd)

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

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

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

(i) Provisions:

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

Warranty provision

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

4. Significant accounting policies (cont'd):

(i) Provisions (cont'd):

Decommissioning liabilities

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

(j) Revenue recognition:

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

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

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

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

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

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

4. Significant accounting policies (cont'd):

(k) Finance income and costs:

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

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

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

(l) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the deferred income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for loss carry-forwards. The resulting changes in he net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Employee benefits:

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

4. Significant accounting policies (cont'd):

(m) Employee benefits (cont'd):

Defined benefit plans

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

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

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income, and reports them in retained earnings.

Other long-term employee benefits

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

4. Significant accounting policies (cont'd):

(m) Employee benefits (cont'd):

Termination benefits

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

Short-term employee benefits

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

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

(n) Share-based compensation plans:

The Corporation uses the fair-value based method of accounting for share-based compensation for all awards of shares and share options granted. The resulting compensation expense, based on the fair value of the awards granted, excluding the impact of any non-market service and performance vesting conditions, is charged to income over the period that the employees unconditionally become entitled to the award, with a corresponding increase to contributed surplus. Fair values of share options are calculated using the Black-Scholes valuation method as of the grant date and adjusted for estimated forfeitures. For awards with graded vesting, the fair value of each tranche is calculated separately and recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. At each reporting date, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the income statement with a corresponding adjustment to contributed surplus.

The Corporation issues shares and share options under its share-based compensation plans as described in note 20. Any consideration paid by employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

4. Significant accounting policies (cont'd):

(o) Earnings (loss) per share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period, adjusted for treasury shares. Diluted earnings per share is calculated using the treasury stock method.

Under the treasury stock method, the dilution is calculated based upon the number of common shares issued should deferred share units ("DSUs"), restricted share units ("RSUs"), and "in the money" options, if any, be exercised. When the effects of outstanding stock-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated.

(p) Government assistance and investment tax credits:

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

(q) Segment reporting:

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

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

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

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

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

Critical judgments in applying accounting policies:

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

Key sources of estimation uncertainty:

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

(a) Revenue recognition:

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

(b) Asset impairment:

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

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

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

(c) Warranty provision:

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

(d) Inventory provision:

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

(e) Employee future benefits:

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

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

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

(f) Income taxes:

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantive enactment date. Management reviews the deferred income tax assets at each reporting period and records adjustments to the extent that it is no longer probable that the related tax benefit will be realized.

6. Recent accounting pronouncements:

The following is an overview of accounting standard changes that the Corporation will be required to adopt in future years. Except as otherwise noted below for IFRS 9, the standards are effective for the annual periods beginning on or after January 1, 2014, with earlier application permitted. The Corporation does not expect to adopt any of these standards before their effective dates.

(a) IFRS 9 – *Financial Instruments:*

In November 2009, the IASB published IFRS 9 Financial Instruments, which introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in OCI.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirements to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

6. Recent accounting pronouncements (cont'd):

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

The Corporation intends to adopt IFRS 9 in its financial statements for the fiscal year beginning on January 1, 2015. The extent of the impact of adoption has not yet been determined.

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

In December 2011, the IASB published amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*, which clarifies that an entity currently has a legally enforceable right to set-off if that right is:

a) not contingent on a future event; and

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

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

The amendments are to be applied retrospectively to fiscal years beginning on or after January 1, 2014. The Corporation does not expect the amendments to have a material impact on its financial statements.

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

In June 2013, the IASB published amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, which add a limited exception to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

The amendments shall be applied to fiscal years beginning on or after January 1, 2014.

The Corporation intends to adopt the amendments for the fiscal year beginning on January 1, 2014. The Corporation does not expect the amendments to have a material impact on its financial statements.

7. Discontinued operations – Disposition of Material Products division:

On January 31, 2013, the Corporation completed an agreement to sell substantially all of the assets of its Material Products division for gross cash proceeds of $10,500,000 (on the delivery of net working capital of $3,700,000) and additional potential proceeds of up to $1,500,000. The additional proceeds of up to $1,500,000 are payable in 2014 and 2015, through a product credit, if the former Material Products division attains certain financial results in 2013. As the additional potential proceeds are contingent in nature, they are not recorded in the consolidated financial statements until actually realized.

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

Excluding any potential contingent gain from the additional proceeds, net proceeds from the sale were approximately $9,085,000 after deducting for working capital adjustments, broker commissions and expenses, and legal and other expenses. The Material Products division has been classified and accounted for as a discontinued operation.

In 2012, impairment losses of $1,815,000 and $500,000 relating to goodwill and property, plant and equipment, respectively, were recognized based on a fair value less costs to sell assessment, which compared the segment's carrying value as of December 31, 2012 to the actual net proceeds received on disposition on January 31, 2013. In 2013, a previously recorded impairment loss of $45,000 was reversed and recorded in net loss from discontinued operations based on the final analysis of the disposition.

		January 31, 2013
Gross proceeds from disposition	$	10,500
Less: Purchase price adjustment		(401)
Net proceeds from disposition		10,099
Disposition costs		(1,014)
Net disposed assets		(9,040)
Reversal of impairment loss on property, plant and equipment	$	45

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

		January 31, 2013
Trade and other receivables	$	1,811
Inventories		2,692
Prepaid expenses and other current assets		40
Property, plant and equipment		5,739
Trade and other payables		(1,242)
Net disposed assets	$	9,040

Net earnings (loss) from discontinued operations are comprised of the following:

		2013		2012
Product and service revenues	$	867	$	15,540
Cost of product and service revenues		627		11,159
Gross margin		240		4,381
Total operating expenses		(252)		(2,053)
Reversal of (impairment loss) on property, plant and equipment		45		(500)
Impairment loss on goodwill		-		(1,815)
Earnings before income taxes		33		13
Income tax expense		(9)		(78)
Net earnings (loss) from discontinued operations	$	24	$	(65)

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

The 2012 comparative figures in the consolidated statement of profit or loss and other comprehensive income have been reclassified in accordance with the classification and accounting of the Material Products division as discontinued operations.

Net cash flows from discontinued operations are as follows:

	2013	2012
Cash provided by operating activities	$ 315	$ 2,303
Cash used in investing activities	-	(476)
Cash provided by (used in) financing activities	-	-
Cash and cash equivalents provided by discontinued operations	$ 315	$ 1,827

8. Acquisition:

On August 1, 2012 ("acquisition date"), the Corporation completed an agreement to acquire key assets and product lines from IdaTech, LLC ("IdaTech"). In exchange for 7,136,237 of the Corporation's common shares valued at $7,493,000 based on the Corporation's share price at the acquisition date, the Corporation acquired IdaTech's key assets including fuel cell systems inventory, prepaid right to inventory, and product lines for backup power applications, distributor and customer relationships, a license to intellectual property, the right to assume control of a contract manufacturing facility, and certain property, plant and equipment.

The prepaid right to inventory and other current assets of approximately $2,728,000 relates to a supply commitment whereby IdaTech provided additional units of finished goods inventory to the Corporation prior to January 1, 2013. An additional payment of approximately $500,000 for the additional units was made to IdaTech when the Corporation received payment from its customers as the units were sold.

The acquisition has been accounted for using the acquisition method of accounting and, accordingly, the acquired assets and liabilities have been included in the consolidated financial statements since the date of acquisition, and revenues since the acquisition date totaling $5,087,000 are reported in the Fuel Cell Products and Services segment. The intangible assets arising from this acquisition are amortized over their estimated useful life of 5 years. Pro forma revenue and net loss attributable to the Corporation as if the assets were acquired on January 1, 2012 cannot be determined, as reliable information is not available.

In 2013, acquisition costs of $78,000 (2012 – $274,000) were incurred as a result of the transaction, and are recognized in general and administrative expenses.

8. Acquisition (cont'd):

The following is the fair value of the identified assets acquired, and liabilities assumed at the date of acquisition:

Net assets acquired:	
Inventories	$ 1,895
Prepaid right to inventory and other current assets	2,728
Property, plant and equipment	861
Intangible assets	2,886
Trade and other payables	(431)
Warranty provision	(446)
Total purchase consideration	$ 7,493

9. Trade and other receivables:

	December 31, 2013	December 31, 2012
Trade receivables	$ 13,248	$ 16,709
Other	2,442	259
	15,690	16,968
Less: Non-current trade receivables	(219)	(594)
	$ 15,471	$ 16,374

10. Inventories:

	December 31, 2013	December 31, 2012
Raw materials and consumables	$ 9,157	$ 4,702
Work-in-progress	3,120	1,646
Finished goods	1,810	4,929
	$ 14,087	$ 11,277

In 2013, changes in raw materials and consumables, finished goods and work-in-progress recognized as cost of product and service revenues amounted to $18,754,000 (2012 - $19,218,000).

In 2013, the write-down of inventories to net realizable value amounted to $1,192,000 (2012 - $717,000). There were no reversals of previously recorded write-downs in 2013 or 2012. 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.

11. Property, plant and equipment:

Cost	December 31, 2012	Additions	Disposals	December 31, 2013
Building under finance lease	$ 12,180	$ -	$ -	$ 12,180
Computer equipment	5,944	21	(1,384)	4,581
Furniture and fixtures	755	37	(104)	688
Furniture and fixtures under finance lease	317	-	-	317
Leasehold improvements	9,179	283	(419)	9,043
Production and test equipment	32,107	219	(2,936)	29,390
Production and test equipment under finance lease	3,667	-	-	3,667
Total	$ 64,149	$ 560	$ (4,843)	$ 59,866

Accumulated depreciation and impairment loss	December 31, 2012	Depreciation	Disposals	December 31, 2013
Building under finance lease	$ 2,301	$ 812	$ -	$ 3,113
Computer equipment	5,370	176	(1,339)	4,207
Furniture and fixtures	720	24	(92)	652
Furniture and fixtures under finance lease	100	64	-	164
Leasehold improvements	4,890	668	(342)	5,216
Production and test equipment	25,552	2,294	(2,820)	25,026
Production and test equipment under finance lease	900	643	-	1,543
Total	$ 39,833	$ 4,681	$ (4,593)	$ 39,921

Cost	December 31, 2011	Additions	Disposals	Reclassified as held for sale	December 31, 2012
Land	$ 1,220	$ -	$ -	$ (1,220)	$ -
Building	3,666	-	-	(3,666)	-
Building under finance lease	12,180	-	-	-	12,180
Computer equipment	6,423	276	(54)	(701)	5,944
Furniture and fixtures	834	1	(23)	(57)	755
Furniture and fixtures under finance lease	317	-	-	-	317
Leasehold improvements	10,086	125	-	(1,032)	9,179
Production and test equipment	45,091	1,670	(1,493)	(13,161)	32,107
Production and test equipment under finance lease	3,667	-	-	-	3,667
Total	$ 83,484	$ 2,072	$ (1,570)	$ (19,837)	$ 64,149

11. Property, plant and equipment:

Accumulated depreciation and impairment loss	December 31, 2011	Depreciation	Impairment loss	Disposals	Reclassified as held for sale	December 31, 2012
Land	$ -	$ -	$ -	$ -	$ -	$ -
Building	2,199	154	-	-	(2,353)	-
Building under finance lease	1,488	813	-	-	-	2,301
Computer equipment	5,676	241	-	(54)	(493)	5,370
Furniture and fixtures	788	12	-	(23)	(57)	720
Furniture and fixtures under finance lease	37	63	-	-	-	100
Leasehold improvements	4,963	694	-	-	(767)	4,890
Production and test equipment	32,806	3,003	1,070	(975)	(10,352)	25,552
Production and test equipment under finance lease	442	458	-	-	-	900
Total	$ 48,399	$ 5,438	$ 1,070	$ (1,052)	$ (14,022)	$ 39,833

Carrying amounts	December 31, 2013	December 31, 2012
Building under finance lease	$ 9,067	$ 9,879
Computer equipment	374	574
Furniture and fixtures	36	35
Furniture and fixtures under finance lease	153	217
Leasehold improvements	3,827	4,289
Production and test equipment	4,364	6,555
Production and test equipment under finance lease	2,124	2,767
Total	$ 19,945	$ 24,316

Leased assets

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

Impairment loss

In 2013, there were no impairment losses or reversals of previously recorded impairment losses recognized against property, plant and equipment used for continuing operations. However, there was a net $45,000 reversal of previously recognized impairment losses recorded against property, plant and equipment used for discontinued operations based on the final analysis of the disposition of the Material Products division (note 7).

In 2012, impairment losses of $1,070,000 were recognized, of which $570,000 related to the obsolescence of production and test equipment. The remaining $500,000 related to the impairment of assets held for sale (note 7). No impairment losses were reversed in 2012.

12. Intangible assets:

Fuel cell technology Balance	Cost	Accumulated amortization	Net carrying amount
At January 1, 2012	$ 43,443	$ 41,194	$ 2,249
Acquisition through business combination	2,886	-	2,886
Amortization	-	941	(941)
At December 31, 2012	46,329	42,135	4,194
Amortization	-	1,478	(1,478)
At December 31, 2013	$ 46,329	$ 43,613	$ 2,716

Amortization and impairment losses of fuel cell technology and development costs are allocated to research and product development expense. There were no impairment losses recorded in 2013 and 2012.

13. Goodwill:

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

Fuel Cell Products and Services

As of December 31, 2013 and 2012, the aggregate carrying amount of the Corporation's goodwill of $36,291,000 relates solely to the Fuel Cell Products and Services segment.

The impairment testing requires a comparison of the carrying value of the asset to the higher of (i) value in use; and (ii) fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state.

The Corporation's fair value test is in effect a modified market capitalization assessment, whereby the fair value of the Fuel Cell Products and Services segment is calculated by first calculating the value of the Corporation at December 31, 2013 based on the average closing share price in the month of December, adding a reasonable estimated control premium of 25% to determine the Corporation's enterprise value on a controlling basis after adjusting for excess cash balances, and deducting the estimated costs to sell from this enterprise value, arriving at the fair value of the Fuel Cell Products and Services segment. Based on the fair value test, the Corporation has determined that the fair value of the Fuel Cell Products and Services segment exceeds its carrying value by a significant amount as of December 31, 2013. In 2012, the Corporation had determined that the fair value of the Fuel Cell Products and Services segment was deficient compared to its carrying value, resulting in a $10,000,000 impairment loss recognized against goodwill and the previous value of goodwill of $46,291,000 was written down to $36,291,000 as of December 31, 2012.

13. Goodwill:

Fuel Cell Products and Services (cont'd)

In addition to the fair value test, the Corporation also performed a value in use test on the Fuel Cell Products and Services segment, comparing the carrying value of the segment to the present value of future cash flows expected to be derived from the segment. The principal factors used in the discounted cash flow analysis requiring significant estimation are the projected results of operations, the discount rate based on the weighted average cost of capital ("WACC"), and terminal value assumptions. The Corporation's value in use test was based on a WACC of 15%; an average estimated compound annual growth rate of approximately 30% from 2013 to 2018; and a terminal year earnings before interest, taxes, depreciation and amortization ("EBITDA") multiplied by a terminal value multiplier of 5.0. The value in use assessment resulted in an estimated fair value for the Fuel Cell Products and Services segment that is consistent with that determined under the fair value, less costs to sell, assessment.

As the recoverable amount of the Fuel Cell Products and Services segment was determined to be greater than its carrying amount, no impairment loss was recorded in 2013.

Material Products

The Material Products segment was disposed of on January 31, 2013 (note 7). Accordingly, the fair value of the Material Products segment, determined based on a fair value less costs to sell assessment, compared the segment's carrying value as of December 31, 2012 against the actual net proceeds received on disposition on January 31, 2013. As a result of the assessment, the Corporation determined that the fair value of the Material Products segment was deficient to its carrying value, resulting in a $1,815,000 write-off of goodwill and $500,000 write-down of property, plant and equipment associated with the Material Products segment as of December 31, 2012. In 2013, a $45,000 reversal of previously recorded impairment losses was recognized against the Material Products segment's property, plant and equipment once the disposition analysis was finalized. The impairment losses and reversal relating to the Material Products segment are included in net loss from discontinued operations (note 7).

14. Bank facilities:

The Corporation has a demand revolving facility ("Bank Operating Line") in which an operating line of credit of up to CDN $10,000,000 is made available to be drawn upon by the Corporation. The Bank Operating Line is utilized to assist in financing the day-to-day operating activities and short-term working capital requirements of the business. Outstanding amounts are charged interest at the bank's prime rate minus 0.50% per annum and are repayable on demand by the bank.

During 2013, the Corporation was advanced $334,000 (2012 - $17,331,000) under the bank operating line and repayments of $9,087,000 (2012 - $12,560,000) were made during the year. The Corporation also benefited from foreign exchange gains of $605,000 as the Bank Operating Line was denominated in Canadian dollars in 2013. At December 31, 2013, there were no outstanding amounts payable on the Bank Operating Line (2012 - $9,358,000).

The Corporation also has a CDN $2,320,000 capital leasing facility ("Leasing Facility") which can be utilized to finance the acquisition and lease of operating equipment (notes 11 & 17). Interest is charged on outstanding amounts at the bank's prime rate per annum and is repayable on demand by the bank in the event of certain conditions. At December 31, 2013, $1,772,000 (2012 - $2,546,000) was outstanding on the Leasing Facility which is included in the finance lease liability. The remaining $10,399,000 (2012 - $11,508,000) finance lease liability relates to the lease of the Corporation's head office building.

Both the Bank Operating Line and Leasing Facility are secured by a hypothecation of the Corporation's cash, cash equivalents and short-term investments.

15. Trade and other payables:

	December 31, 2013	December 31, 2012
Trade accounts payable	$ 5,698	$ 5,256
Compensation payable	5,133	2,046
Other liabilities	275	4,669
Taxes payable	378	244
	$ 11,484	$ 12,215

16. Provisions:

Balance	Legal	Restructuring	Warranty provision	Decommissioning liabilities	Total
At January 1, 2012	$ 520	$ 1,004	$ 8,049	$ 4,733	$ 14,306
Assumed through business combination	-	-	447	-	447
Provisions made during the year	-	1,937	1,514	250	3,701
Provisions used during the year	(528)	(2,060)	(1,309)	-	(3,897)
Provisions reversed during the year	-	-	(373)	-	(373)
Effect of movements in exchange rates	8	41	173	106	328
At December 31, 2012	-	922	8,501	5,089	14,512
Provisions made during the year	-	596	1,219	97	1,912
Provisions used during the year	-	(1,213)	(1,076)	-	(2,289)
Provisions reversed during the year	-	(41)	(1,563)	-	(1,604)
Effect of movements in exchange rates	-	(27)	(499)	(329)	(855)
At December 31, 2013	$ -	$ 237	$ 6,582	$ 4,857	$ 11,676
Current	$ -	$ 237	$ 6,582	$ -	$ 6,819
Non-current	-	-	-	4,857	4,857
	$ -	$ 237	$ 6,582	$ 4,857	$ 11,676

Restructuring

During 2013, the Corporation incurred $568,000 of restructuring charges relating to minor restructurings focused on overhead cost reductions. During 2012, $1,931,000 of restructuring charges due primarily to a 7% workforce reduction and a minor restructuring focused on overhead cost reduction was incurred. The estimated restructuring costs relate primarily to employee termination benefits. Restructuring charges are recognized in general and administrative expenses.

Warranty provision

During 2013, the Corporation recorded $1,219,000 of warranty provisions for new product sales, which was offset by warranty expenditures of $1,076,000. A downward warranty adjustment of $1,563,000 was also recorded in 2013, due primarily to contractual expirations, changes in estimated and actual costs to repair, and improved lifetimes and reliability of the Corporation's fuel cell products. The remaining $499,000 reduction to the warranty provision related to the effect of movements in exchange rates.

During 2012, the warranty provision increased by $452,000, due in part to the assumption of warranty provisions as part of the acquisition of key assets and product lines from IdaTech (note 8).

16. Provisions (cont'd):

Decommissioning liabilities

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

Due to the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The Corporation has determined a range of reasonable possible outcomes of the total costs for the head office building and manufacturing facility. In determining the fair value of the decommissioning liabilities, the estimated future cash flows have been discounted at 3% per annum.

The Corporation performed an assessment of the estimated cash flows required to settle the obligations for the two buildings as of December 31, 2013. Based on the assessment, the changes in the estimated cash flows were determined to be nominal and as a result, no adjustment was recorded. The increase in the provision during 2013 was due to accretion costs. The total undiscounted amount of the estimated cash flows required to settle the obligation for one of the buildings is $2,219,000, which is expected to be settled at the end of the lease term in 2025. The total undiscounted amount of the estimated cash flows required to settle the obligation for the second building is $3,736,000, which is expected to be settled at the end of the operating lease term of 2019.

17. Finance lease liability:

The Corporation leases certain assets under finance lease agreements (note 11). The finance leases have imputed interest rates ranging from 2.25% to 7.35% per annum and expire between December 2014 and February 2025.

17. Finance lease liability (cont'd):

The future minimum lease payments for the Corporation's finance leases are as follows:

Year ending December 31		
2014	$	2,179
2015		1,622
2016		1,790
2017		1,311
2018		1,311
Thereafter		9,105
Total minimum lease payments		17,318
Less: Imputed interest		(5,147)
Total finance lease liability		12,171
Less: Current portion of finance lease liability		(1,399)
Non-current portion of finance lease liability	$	10,772

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

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

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

Convertible debentures

The convertible debenture is redeemable at the option of Dantherm Power subject to approval by all convertible debenture holders on or after January 1, 2013 including interest which is accrued at 12%. Prior to the maturity date, the convertible debenture holders may elect to convert all or part of the debenture into shares of Dantherm Power. During the first quarter of 2013, an extension of the maturity date from December 31, 2013 to December 31, 2014 was approved by the subscribers in accordance with the terms of the convertible debenture. The convertible debentures were issued with a conversion price of either DKK 3.40 or DKK 0.14. This conversion feature was determined to have a nominal value.

On March 31, 2013, an additional $640,000 of convertible debt financing was advanced to Dantherm Power by Azure, a new non-controlling partner (note 4(a)). The issued convertible debenture notes totaling approximately DKK 3,733,000 ($689,000) were comprised of a note for DKK 2,400,000 ($443,000) with a conversion price of DKK 3.40 ($0.63) and a note for DKK 1,333,000 ($246,000) with a conversion price of DKK 0.14 ($0.03) and have a maturity date of December 31, 2014.

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

Convertible debentures (cont'd)

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

No convertible debt is outstanding as of December 31, 2013.

Revolving credit facility

The revolving credit facility makes available a revolving facility to Dantherm Power of a maximum aggregate amount of DKK 2,977,975 ($550,000) from the non-controlling partner, Dantherm A/S. Interest is accrued at 6% and the facility matures on December 31, 2014. In February 2014, the subscribers of the facility approved the extension of the maturity date to December 31, 2015 (note 30).

At December 31, 2013, the revolving credit facility outstanding was $566,000, which includes $16,000 of interest payable.

19. Employee future benefits:

		December 31, 2013		December 31, 2012
Net defined benefit pension plan liability	$	3,036	$	5,308
Net other post-retirement benefit plan liability		133		853
Employee future benefits	$	3,169	$	6,161

The Corporation maintains a defined benefit pension plan covering existing and former employees in the United States. The benefits under the pension plan are based on years of service and salary levels accrued as of December 31, 2009. In 2009, amendments were made to the defined benefit pension plan to freeze benefits accruing to employees at their respective years of service and salary levels obtained as of December 31, 2009. Certain employees in the United States are also eligible for post-retirement healthcare, life insurance, and other benefits.

19. Employee future benefits (cont'd):

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

The measurement date used to determine pension and other post-retirement benefit obligations and expense is December 31 of each year. The most recent actuarial valuation of the employee future benefit plans for funding purposes was as of January 1, 2013. The next actuarial valuation of the employee future benefit plans for funding purposes is expected to be performed as of January 1, 2014.

The Corporation expects contributions of approximately $307,000 to be paid to its defined benefit plans in 2014.

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Defined benefit pension plan	**2013**	2012	**2013**	2012	**2013**	2012
Balance at January 1	**$ 14,652**	$ 13,329	**$ (9,344)**	$ (8,223)	**$ 5,308**	$ 5,106
Included in profit or loss						
Current service cost	**50**	28	**-**	-	**50**	28
Interest cost (income)	**558**	565	**(355)**	(353)	**203**	212
Benefits payable	**25**	47	**-**	-	**25**	47
	633	640	**(355)**	(353)	**278**	287
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**704**	-	**-**	-	**704**	-
Financial assumptions	**(2,027)**	933	**-**	-	**(2,027)**	933
Experience adjustment	**256**	116	**-**	-	**256**	116
Return on plan assets excluding interest income	**-**	-	**(1,088)**	(774)	**(1,088)**	(774)
Plan expenses	**(36)**	(48)	**36**	48	**-**	-
	(1,103)	1,001	**(1,052)**	(726)	**(2,155)**	275
Other						
Contributions paid by the employer	**-**	-	**(395)**	(360)	**(395)**	(360)
Benefits paid	**(479)**	(318)	**479**	318	**-**	-
	(479)	(318)	**84**	(42)	**(395)**	(360)
Balance at December 31	**$ 13,703**	$ 14,652	**$ (10,667)**	$ (9,344)	**$ 3,036**	$ 5,308

19. Employee future benefits (cont'd):

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Other post-retirement benefit plan	**2013**	2012	**2013**	2012	**2013**	2012
Balance at January 1	**$ 853**	$ 580	**$ -**	$ -	**$ 853**	$ 580
Included in profit or loss						
Current service cost	**-**	20	**-**	-	**-**	20
Interest cost (income)	**4**	31	**-**	-	**4**	31
	4	51	**-**	-	**4**	51
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**-**	90	**-**	-	**-**	90
Financial assumptions	**3**	175	**-**	-	**3**	175
Experience adjustment	**(1)**	17	**-**	-	**(1)**	17
Curtailment	**(699)**	-	**-**	-	**(699)**	-
	(697)	282	**-**	-	**(697)**	282
Other						
Contributions paid by the employer	**-**	-	**(27)**	(60)	**(27)**	(60)
Benefits paid	**(27)**	(60)	**27**	60	**-**	-
	(27)	(60)	**-**	-	**(27)**	(60)
Balance at December 31	**$ 133**	$ 853	**$ -**	$ -	**$ 133**	$ 853

Pension plan assets comprise:

	2013	2012
Cash and cash equivalents	5%	3%
Equity securities	20%	70%
Debt securities	75%	27%
Total	100%	100%

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

	2013		2012	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.87%	2.03%	3.87%	3.02%
Rate of compensation increase	n/a	n/a	n/a	n/a

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

	2013		2012	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	3.87%	3.02%	4.30%	4.30%
Rate of compensation increase	n/a	n/a	n/a	n/a

19. Employee future benefits (cont'd):

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

	2013	2012
Initial medical health care cost trend rate	7.5%	8.0%
Initial dental health care cost trend rate	5.0%	5.0%
Cost trend rate declines to medical and dental	5.0%	5.0%
Year that the medical rate reaches the rate it is assumed to remain at	2018	2018
Year that the dental rate reaches the rate it is assumed to remain at	2013	2012

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

20. Equity:

(a) Share capital:

Authorized and issued:

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

Offerings:

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

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

20. Equity (cont'd):

(a) Share capital (cont'd):

Offerings (cont'd):

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

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

At December 31, 2013, 110,133,901 common shares and 9,862,500 warrants were issued and outstanding (2012 – 91,801,477 common shares and nil warrants).

(b) Convertible promissory note:

On March 28, 2013, the Corporation completed an agreement with Anglo American Platinum Limited ("Anglo"), under which Anglo invested $4,000,000 in the Corporation through its Platinum Group Metals Development Fund, to support continued commercial advancement of the Corporation's fuel cell products in target market applications. The investment takes the form of a 5 year non-interest bearing convertible promissory note ("Note"). The Note may be repaid in the form of the Corporation's common shares at Anglo's option on or before the loan maturity date of April 1, 2018. Anglo does not have a right to demand settlement of the Note in cash. Any common shares issued on conversion or repayment will be priced at a 20% discount to the market price of the shares on the closing date of the transaction, which equates to approximately $0.84 per share, or 4,761,904 common shares. On the maturity date, the Corporation may elect, at its sole and entire discretion, to repay the Note in cash, however, the Corporation intends to settle the Note by issuing the Corporation's common shares based on the $0.84 per share conversion price. As the convertible price and share settlement amount are fixed, and the Corporation has no intention to settle the Note in cash, the $4,000,000 proceeds and conversion right has been accounted for as a single equity instrument and recorded in contributed surplus

20. Equity (cont'd):

(c) Share options:

The Corporation has options outstanding under a consolidated share option plan. All directors, officers and employees of the Corporation, and its subsidiaries, are eligible to participate in the share option plans although as a matter of policy, options are currently not issued to directors. Option exercise prices are denominated in 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, 2013, options outstanding from the consolidated share option plan was as follows:

Balance	Options for common shares	Weighted average exercise price
At January 1, 2012	7,615,969	$ 5.54
Options granted	1,009,640	1.51
Options exercised	(13,501)	1.22
Options forfeited	(1,271,663)	5.33
Options expired	(435,394)	35.75
At December 31, 2012	6,905,051	3.22
Options granted	1,081,250	1.15
Options exercised	(140,533)	1.06
Options forfeited	(702,866)	2.97
Options expired	(170,800)	13.43
At December 31, 2013	6,972,102	$ 2.54

The following table summarizes information about the Corporation's share options outstanding as at December 31, 2013:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.76 – $1.33	1,910,118	4.8	$ 1.17	711,368	$ 1.23
$ 1.59 – $1.97	2,580,925	4.2	1.83	1,673,865	1.86
$ 2.18 – $2.91	1,204,211	3.3	2.27	1,150,544	2.27
$ 3.63 – $6.68	828,703	1.5	5.43	828,703	5.43
$ 7.12 – $12.94	448,145	0.4	7.90	448,145	7.90
	6,972,102	3.7	$ 2.54	4,812,625	$ 3.04

20. Equity (cont'd):

(c) Share options (cont'd):

During 2013, compensation expense of $874,000 (2012 - $1,274,000) 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 $0.63 (2012 - $0.80) 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:

	2013	2012
Expected life	5 years	5 years
Expected dividends	Nil	Nil
Expected volatility	63%	62%
Risk-free interest rate	1%	2%

(d) Share distribution plan:

The Corporation has a consolidated share distribution plan that permits the issuance of common shares for no cash consideration to employees of the Corporation to recognize their past contribution and to encourage future contribution to the Corporation. At December 31, 2013, there were 2,322,539 (2012 – 873,441) shares available to be issued under this plan.

No compensation expense was recorded against income during the years ended December 31, 2013 and 2012 for shares distributed, and to be distributed, under the plan.

(e) Deferred share units:

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

Balance	DSUs for common shares
At January 1, 2012	290,797
DSUs granted	249,785
DSUs exercised	(90,337)
At December 31, 2012	450,245
DSUs granted	208,972
DSUs exercised	(42,953)
At December 31, 2013	616,264

20. Equity (cont'd):

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

During 2013, $1,040,000 of compensation expense was recorded in net income, of which $303,000 relates to DSUs granted during the year. The remaining $737,000 relates to compensation expense expected to be earned for DSUs not yet issued. In 2012, compensation expense of $176,000 was recorded in net income, of which the entire amount related to DSUs granted during the year.

(f) Restricted share units:

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

The Corporation has two plans under which RSUs may be granted, the consolidated share distribution plan and the market purchase RSU plan. Awards under the consolidated share distribution plan (note 20(d)) are satisfied by the issuance of treasury shares on maturity. Awards granted under the market purchase RSU Plan are satisfied by shares purchased on the open market by a trust established for that purpose. No common shares were repurchased in 2013 and 2012. As at December 31, 2013 the Corporation held 65,441 (2012 – 183,629) shares as treasury shares.

	RSUs for common shares		
Balance	Share Distribution Plan	Market Purchase Plan	Total RSUs
At January 1, 2012	186,473	1,986,904	2,173,377
RSUs granted	1,352,784	245,897	1,598,681
RSUs exercised	(84,530)	(124,884)	(209,414)
RSUs forfeited	(122,044)	(602,893)	(724,937)
RSUs transferred	652,625	(652,625)	-
At December 31, 2012	1,985,308	852,399	2,837,707
RSUs granted	-	1,327,266	1,327,266
RSUs exercised	(920,789)	(208,698)	(1,129,487)
RSUs forfeited	(277,227)	(334,731)	(611,958)
RSUs transferred	1,612,430	(1,612,430)	-
At December 31, 2013	2,399,722	23,806	2,423,528

In September 2013, 1,612,430 unvested RSUs previously granted under the Market Purchase Plan were cancelled and new RSUs were reissued from the Share Distribution Plan with identical terms (December 2012 – 652,625).

20. Equity (cont'd):

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

The fair value of RSU grants is measured based on the stock price of the shares underlying the RSU on the date of grant. During 2013, compensation expense of $1,861,000 (2012 - $1,296,000) was recorded against income.

21. Operating leases:

The Corporation leases a facility at its Burnaby, Canada location, which has been assessed as an operating lease. The facility has a lease term expiring in 2019, with renewal options after that date. Lease payments of $2,434,000 were expensed in 2013 (2012 - $2,434,000).

At December 31, 2013, the Corporation is committed to payments under operating leases as follows:

Less than 1 year	$	2,566
1-3 years		5,262
4-5 years		5,161
Thereafter		5,125
Total minimum lease payments	$	18,114

22. Commitments and contingencies:

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

The Corporation retains a previous funding obligation to pay royalties of 2% of revenues, to a maximum of $5,031,000 (CDN $5,351,000), on sales of certain fuel cell products for commercial distributed utility applications. As of December 31, 2013, no royalties have been incurred to date for this agreement.

22. Commitments and contingencies (cont'd):

The Corporation also retains a previous funding obligation to pay royalties of 2% of revenues, to a maximum of $2,068,000 (CDN $2,200,000), on sales of certain fuel cell products for commercial transit applications. As of December 31, 2013, no royalties have been incurred to date for this agreement.

On December 31, 2008, the Corporation completed a restructuring transaction with Superior Plus Income Fund ("Superior Plus"), which included an indemnification agreement (the "Indemnity Agreement"), which sets out the parties' continuing obligations to the other. The Indemnity Agreement provides for the indemnification by each of the parties to the other for breaches of representations and warranties or covenants, as well as, in the Corporation's case, any liability relating to the business which is suffered by Superior Plus.

The Corporation's indemnity to Superior Plus with respect to representation relating to the existence of the Corporation's tax pools immediately prior to the completion of the Arrangement is limited to an aggregate of $6,910,000 (CDN $7,350,000) with a threshold amount of $470,000 (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, 2013, no amount payable or receivable has been accrued as a result of the Indemnity Agreement.

At December 31, 2013, the Corporation has outstanding commitments aggregating up to a maximum of $3,000 (2012 - $12,000) relating primarily to purchases of property, plant and equipment.

The Corporation has issued an irrevocable bank guarantee totaling $579,000, which expires in June 2014.

23. Personnel expenses:

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

	December 31, 2013	December 31, 2012
Salaries and employee benefits	$ 47,061	$ 45,836
Share-based compensation (note 20)	3,775	2,582
	$ 50,836	$ 48,418

In addition, $164,000 of share-based compensation was included in net loss from discontinued operations in 2012.

24. Finance income and expense:

	2013	2012
Investment income	$ 141	$ 249
Settlement of TPC funding obligation (note 22)	(1,197)	-
Other income	-	(11)
Pension costs (note 19)	(282)	(279)
Foreign exchange gain (loss)	1,553	(178)
Finance income (loss) and other	$ 215	$ (219)
Finance expense	$ (1,486)	$ (1,690)

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

25. Income taxes:

(a) Current tax expense:

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

	2013	2012
Current tax expense		
Current period income tax	$ -	$ -
Withholding tax	508	-
Adjustment for prior periods	(23)	-
Total current tax expense	$ 485	$ -
Deferred tax expense		
Origination and reversal of temporary differences	$ 1,348	$ 14,967
Adjustments for prior periods	(416)	2,146
Change in unrecognized deductible temporary differences	(932)	(17,113)
Total deferred tax expense	$ -	$ -
Total income tax expense	$ 485	$ -

25. Income taxes (cont'd):

(a) Current tax expense (cont'd):

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

		2013		2012
Net loss before income taxes	$	(21,239)	$	(43,659)
Expected tax expense (recovery) at 25.75% (2012 – 25.00%)	$	(5,469)	$	(10,915)
Increase (reduction) in income taxes resulting from:				
Non-deductible portion of capital loss		1,106		-
Non-deductible expenses (non-taxable income)		(3,692)		3,575
Expiry of losses and investment tax credits		8,236		27,539
Investment tax credits earned		(2,640)		(3,848)
Foreign tax rate differences		77		(6)
Change in unrecognized deductible temporary differences		2,867		(16,345)
Income taxes	$	485	$	-

(b) Unrecognized deferred tax liabilities:

At December 31, 2013, the Corporation did not recognize any deferred tax liabilities resulting from taxable temporary differences for financial statement and income tax purposes.

(c) Unrecognized deferred tax asset:

At December 31, 2013, the Corporation did not have any deferred tax assets resulting from the following deductible temporary differences for financial statement and income tax purposes.

		2013		2012
Scientific research expenditures	$	58,347	$	57,285
Investment in associated companies		-		18,364
Accrued warranty liabilities		25,899		29,912
Share issuance costs		2,276		-
Losses from operations carried forward		91,136		75,261
Capital losses carried forward		-		9,423
U.S. investment tax credits		-		626
Investment tax credits		23,596		22,451
Property, plant and equipment and intangible assets		200,015		206,572
	$	401,269	$	419,894

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

25. Income taxes (cont'd):

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

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

	2013	2012
Canadian scientific research expenditures	$ 58,347	$ 57,285
Canadian losses from operations	41,685	29,710
Canadian investment tax credits	23,595	22,451
German losses from operations for corporate tax purposes	303	241
U.S. federal losses from operations	13,140	13,514
U.S. state losses from operations	1,702	1,702
U.S. research and development and investment tax credits	-	626
U.S. capital losses	-	9,423
Denmark losses from operations	34,306	30,094

The Canadian scientific research expenditures may be carried forward indefinitely. The Canadian losses from operations may be used to offset future Canadian taxable income and expire over the period from 2029 to 2033.

The German and Denmark losses from operations may be used to offset future taxable income in Germany and Denmark for corporate tax and trade tax purposes and may be carried forward indefinitely.

The U.S. federal losses from operations may be used to offset future U.S. taxable income and expire over the period from 2018 to 2033. The U.S. states losses from operations arising in California may be used to offset future state taxable income and may be carried forward for ten years.

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

2014	$ 100
2016	89
2017	99
2019	2,472
2020	1,800
2021	1,697
2022	1,361
2023	1,136
2029	4,455
2030	3,051
2031	2,836
2032	2,467
2033	2,033
	$ 23,596

26. Related party transactions:

Related parties include shareholders with a significant ownership interest in either the Corporation or Dantherm Power, together with their subsidiaries and affiliates. The revenue and costs recognized from transactions with such parties reflect the prices and terms of sales and purchase transactions with related parties, which are in accordance with normal trade practices. Transactions between the Corporation and its subsidiaries are eliminated on consolidation.

Balances with related parties:	2013	2012
Trade payables	$ 139	$ 100
Interest payable (note 18)	16	417
Convertible debenture payable (note 18)	-	2,507
Revolving credit facility (note 18)	550	-

Transactions during the year with related parties:	2013	2012
Purchases	$ 185	$ 309
Finance expense	322	289

The Corporation provides key management personnel, being board directors and executive officers, certain benefits, in addition to their salaries. Key management personnel also participate in the Corporation's share-based compensation plans (note 20).

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

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

Key management personnel compensation is comprised of:

	2013	2012
Salaries and employee benefits	$ 2,441	$ 2,412
Post-employment retirement benefits	46	63
Termination benefits	-	-
Share-based compensation (note 20)	2,543	1,396
	$ 5,030	$ 3,871

27. Supplemental disclosure of cash flow information:

Non-cash financing and investing activities:	2013	2012
Compensatory shares	$ 738	$ 427
Shares issued for acquisition (note 8)	$ -	$ 7,493

28. Operating segments:

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

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

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

In 2012, revenues from the Fuel Cell Products and Services segment included sales to two individual customers of $6,152,000 and $5,500,000, respectively, which exceeded 10% of total revenue.

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

Revenues	2013	2012
Canada	$ 4,580	$ 9,669
U.S.	8,816	11,346
Belgium	3,848	4,119
China	15,123	631
Denmark	799	1,716
Germany	14,407	2,664
Japan	6,801	1,002
South Africa	1,356	6,887
Other countries	5,521	5,656
	$ 61,251	$ 43,690

28. Operating segments (cont'd):

Non-current assets by geographic area are as follows:

Non-current assets	December 31, 2013	December 31, 2012
Canada	$ 57,857	$ 63,935
U.S.	391	251
Denmark	688	1,318
Germany	-	59
Mexico	567	686
	$ 59,503	$ 66,249

29. Financial instruments:

(a) Fair value:

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

Fair value measurements recognized in the statement of financial position must be categorized in accordance with the following levels:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices);

(iii) Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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

29 Financial instruments (cont'd):

(b) Carrying value:

As of December 31, 2013, the carrying values of the Corporation's financial instruments approximate their fair values. For the Corporation's non-financial assets and liabilities measured at fair value on a non-recurring basis, no fair value measurements were made as at December 31, 2013 with the exception of the investment in Chrysalix, which was written down to its estimated net realizable value (note 29(c)).

(c) Investments:

Investments are comprised of the following:

	December 31, 2013		December 31, 2012	
	Amount	Percentage ownership	Amount	Percentage ownership
Chrysalix Energy Limited Partnership	$ 150	15.0%	$ 659	15.0%
Other	7		8	
	$ 157		$ 667	

The Corporation's 15% ownership share in Chrysalix is accounted for as an available-for-sale financial asset and recorded at fair value.

In 2013, the Corporation made additional capital contributions in Chrysalix of $4,000. In 2012, the Corporation made additional capital contributions in Chrysalix of $44,000, which was offset by cash distributions received from Chrysalix of $12,000.

In 2013, the Corporation recorded an impairment loss of $513,000 to adjust the carrying value of Chrysalix to its estimated net realizable value of $150,000. No impairment loss was recorded in 2012.

(d 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 Canadian dollar denominated cash and cash equivalents and short-term investments.

At December 31, 2013	Canadian dollar portfolio[1]	U.S. dollar portfolio	Other [1]	Total
Cash and cash equivalents	$ 11,044	$ 19,137	$ 120	$ 30,301
Short-term investments	-	-	-	-
Total	$ 11,044	$ 19,137	$ 120	$ 30,301

[1] U.S. dollar equivalent

29 Financial instruments (cont'd):

(d Financial risk management (cont'd):

At December 31, 2012	Canadian dollar portfolio[1]	U.S. dollar portfolio	Other [1]	Total
Cash and cash equivalents	$ 5,419	$ 3,591	$ 760	$ 9,770
Short-term investments	12,068	-	-	12,068
Total	$ 17,487	$ 3,591	$ 760	$ 21,838

[1] U.S. dollar equivalent

Changes arising from these risks could impact the Corporation's reported investment and other income through either changes to investment income or foreign exchange gains or losses (note 24).

The Corporation did not realize any material gains or losses on its trade and other receivables or its financial liabilities measured at amortized cost.

Foreign currency exchange rate risk

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

The Corporation limits its exposure to foreign currency risk by holding Canadian denominated cash, cash equivalents and short-term investments in amounts up to 100% of forecasted twelve month Canadian dollar net expenditures and up to 50% of the following twelve months of forecasted Canadian dollar net expenditures, thereby creating a natural hedge. Periodically, the Corporation also enters into forward foreign exchange contracts to further limit its exposure. At December 31, 2013, the Corporation held Canadian dollar denominated cash, cash equivalents and short-term investments of CDN $11,746,000 and had no outstanding forward foreign exchange contracts.

The following exchange rates applied during the year ended December 31, 2013:

	$U.S. to $1.00 CDN	$CDN to $1.00 U.S.
January 1, 2013 Opening rate	$ 1.005	$ 0.995
December 31, 2013 Closing rate	$ 0.940	$ 1.064
Fiscal 2013 Average rate	$ 0.971	$ 1.030

29 Trade and other payables:

(d Financial risk management (cont'd):

Foreign currency exchange rate risk (cont'd)

Based on cash, cash equivalents and short-term investments held at December 31, 2013, a 10% increase in the Canadian dollar against the U.S. dollar, with all other variables held constant, would result in an increase in foreign exchange gains of approximately $1,104,000 recorded against net income.

If the Canadian dollar weakened 10% against the U.S. dollar, there would be an equal, and opposite impact, on net income. This sensitivity analysis includes foreign currency denominated monetary items, and adjusts their translation at year-end, for a 10% change in foreign currency rates.

Commodity risk

Commodity risk is the risk of financial loss due to fluctuations in commodity prices, in particular, for the price of platinum and palladium, which are key components of the Corporation's fuel cell products. Platinum and palladium are scarce natural resources and therefore the Corporation is dependent upon a sufficient supply of these commodities. To manage its exposure to commodity price fluctuations, the Corporation may include platinum and or palladium pricing adjustments directly into certain significant customer contracts, and may also periodically enter into platinum and or palladium forward contracts. At December 31, 2013, there were no platinum or palladium forward contracts outstanding.

Interest rate risk

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

Based on cash, cash equivalents and short-term investments at December 31, 2013, a 0.25% decline in interest rates, with all other variables held constant, would result in a decrease in investment income $76,000, 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.

29 Trade and other payables:

(d Financial risk management (cont'd):

Credit risk

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

30. Subsequent event:

In February 2014, the maturity date of the revolving credit facility made available to Dantherm Power by a non-controlling partner (note 18) was extended from December 31, 2014 to December 31, 2015.



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of financial condition and results of operations of Ballard Power Systems Inc. ("Ballard", "the Company", "we", "us" or "our") is prepared as at February 25, 2014 and should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2013. The results reported herein are presented in U.S. dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company, including our Annual Information Form, is filed with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov) and is also available on our website at www.ballard.com.

BUSINESS OVERVIEW

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in proton exchange membrane ("PEM") fuel cell development and commercialization. Our principal business is the design, development, manufacture, sale, service and license of fuel cell products for a variety of applications, focusing on our "commercial stage" markets of Telecom Backup Power and Material Handling and on our "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services for a variety of fuel cell applications.

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from water through electrolysis. Ballard fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, modular design and environmental cleanliness. Embedded in each Ballard PEM fuel cell product lies a stack of unit cells designed with our proprietary esencia$_{TM}$ technology which draws on intellectual property from our patent portfolio together with our extensive experience in key areas of fuel cell stack operation, system integration, and fuel processing.

We provide our customers with the positive economic and environmental benefits unique to fuel cell power. We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading fuel cell products to meet the needs of our customers in select target markets. Our focus is on leveraging the inherent reliability and durability derived from our legacy automotive technology into non-automotive markets where demand is near term and on our core competencies of PEM fuel cell design, development, manufacture, sales and service.

Our business strategy is a three-pronged approach to build shareholder value through product sales, engineering services, and licensing. In product sales, our focus is to leverage our product leadership and early mover positioning in the Telecom Backup Power and Material Handling markets. Through engineering services, our strategy is to leverage our technical capabilities and intellectual property, working with lead customers in profitable contract programs which could result in additional product sales opportunities. Our approach to licensing is to monetize our extensive intellectual property portfolio and fundamental knowledge in ways that establish new customer relationships as well as opportunities in new markets. To support our business strategy and our capability to execute on our clean energy growth priorities, we have also focused our efforts on bolstering our cash reserves in addition to continued efforts on both product cost reduction and managing our operating expense base including overall expense reductions, the pursuit

of government funding for our research and product development efforts, and the redirection of engineering resources to revenue generating engineering service projects.

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

RECENT DEVELOPMENTS

On February 25, 2014, Ballard's President and Chief Executive Officer, John Sheridan, informed the Board of Directors of his intention to retire by the end of 2014. Ballard's Board of Directors has established a search committee and expects to have the new Chief Executive Officer in place and the transition process completed by the fourth quarter of 2014.

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

On October 9, 2013, we closed an underwritten offering ("October Offering") of 10.35 million units at a price of $1.40 per unit for gross October Offering proceeds of $14.5 million. Each unit in the October Offering was comprised of one common share and 0.25 of a warrant to purchase one common share. Each whole warrant is exercisable immediately upon issuance, having a five-year term and an exercise price of $2.00 per share. Net proceeds from the October Offering were approximately U.S. $13.1 million, after deducting underwriting discounts, commissions and other offering expenses.

On September 26, 2013 (and further to the non-binding Memorandum of Understanding announced on May 28, 2013), we completed multi-year definitive agreements ("Azure Bus Licensing Agreement") with Azure to support Azure's zero emission fuel cell bus program for the China market. Azure plans to partner with Chinese bus manufacturers in a phased development program for deployment of zero emission fuel cell buses in China, using Ballard's world leading fuel cell technology. For the first phase of the program, Ballard has agreed to provide a license, associated equipment and engineering services to enable assembly of Ballard's FCvelocity®-HD7 bus power modules by Azure in China. Once this assembly capability is established, Azure will assemble modules with fuel cell stacks to be supplied exclusively by Ballard. The expected value of the contract to Ballard over the initial 12-months of the first phase will be approximately $11 million, related to the license for module assembly together with associated equipment and engineering services. If Azure's China bus program progresses as planned, the contract will generate value beyond the $11 million license revenue, commensurate with the volume of fuel cell stacks to be ordered. Azure plans to secure funding from Chinese sources, including both private investors and governments, to enable the development of fuel cell bus fleets in China for initial public transit service by 2015. Amounts earned from the Azure Bus Licensing Agreement (approximately $4 million in the fourth quarter of 2013 and $7 million in 2014) are recorded as either Bus or Engineering Services revenues depending on the nature of the work performed.

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

On March 28, 2013, we completed an agreement with Anglo American Platinum Limited ("Anglo") under which Anglo invested $4.0 million in Ballard through its PGM Development Fund. The investment was in the form of a $4.0 million, 5-year, non-interest bearing convertible promissory note ("Note") issued by Ballard. The Note may be repaid in the form of Ballard common shares with Anglo having the option of repayment in common shares on or before the loan maturity date of April 1, 2018. Any Ballard common shares issued on conversion or repayment would be at a fixed price of $0.84 per share (or 4.76 million Ballard common shares on conversion or repayment of the entire $4.0 million Note). This issue price was set at a 20% discount to the market price of the Ballard common shares on the closing date of the transaction. The entire $4.0 million Note has been classified as an equity instrument and is recorded in Contributed Surplus.

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

On March 6, 2013, we completed an agreement with Volkswagen Group ("Volkswagen") for an engineering services contract to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The contract term is 4 years commencing in March 2013, with an option for a 2 year extension. The expected contract value is in the range of approximately $60 - $100 million Canadian. Amounts earned from this agreement (approximately $3 million in the fourth quarter of 2013 and $13 million in 2013) are recorded primarily as Engineering Services revenues.

On January 31, 2013, we completed an agreement to sell substantially all of the assets in our Lowell, Massachusetts based Material Products division for gross cash proceeds of $10.5 million (on the delivery of net working capital of $3.7 million) and additional potential proceeds of up to $1.5 million. The additional potential proceeds of up to $1.5 million are payable in 2014 and 2015 through a product credit for fuel cell gas diffusion layers ("GDLs") if the former Material Products division attains certain financial results in 2013. As the additional potential proceeds are currently unknown and contingent in nature, they are not recorded in our financial statements until actually realized. Excluding any potential contingent gain from the additional proceeds, net proceeds from the sale were approximately $9.1 million after deducting for working capital adjustments, broker commissions and expenses, and legal and other expenses. The Material Products segment was classified as a discontinued operation in our 2012 and 2013 year end consolidated financial statements.

On January 15, 2013, we reached an agreement with Technology Partnerships Canada ("TPC") to terminate all existing and future potential royalties payable in respect of future sales of fuel cell based stationary power products under the Utilities Development Program (Phase 2) in exchange for a final repayment to TPC of $1.9 million Canadian. Under the terms of the Utilities Development Program (Phase 2) with TPC, total royalties were payable annually at 4% of revenue of such products and limited to a total maximum repayment of $38.3 million Canadian. On settlement with TPC7 on January 15, 2013, we recorded a charge of ($1.2) million to Finance income (loss) representing the excess of the settlement amount of $1.9 million over royalty amounts accrued as of the date of settlement of $0.7 million. The $1.9 million settlement was paid in four equal quarterly installments of $0.48 million starting on January 31, 2013.

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

In July 2012, we completed a 7% workforce reduction and an overall curtailment of discretionary spending designed to have a minimal impact on key product development initiatives and our manufacturing capabilities. Total restructuring and related costs of $1.6 million has been recorded in general and administration expense in our third quarter of 2012 financial results.

In June 2011, we obtained a $7.0 million Canadian (revised to $7.3 million Canadian in December 2012) award agreement from Sustainable Development Technology Canada ("SDTC") for the period from 2011 to 2013 (extended to December 2014) for extending the operating life and lower the product cost of FCgen™-1300, the fuel cell product that powers Ballard's CLEARgen™ distributed generation system. This award is in addition to a $4.8 million Canadian (revised to $6.9 million Canadian in June 2012) award agreement from SDTC announced in 2010 for the period from 2010 to 2012 (extended to November 2013) for helping to develop the FCvelocity®-HD7, Ballard's next-generation of fuel cell power module designed specifically for integration into bus applications and reflecting improved durability and reliability as well as a significant reduction in cost. These awards are recorded primarily as a cost offset against our research and product development expenses as the expenses are incurred on these programs.

OPERATING SEGMENTS

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

As a result of the disposition of our Materials Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our 2013 and 2012 consolidated financial statements. As such, the operating results of the former Material Products segment for January 2013 and for 2012 have been removed from our results from continuing operations and are instead presented separately in the statement of comprehensive income as income from discontinued operations. The former Materials Product segment sold carbon fiber products primarily for automotive transmissions, and GDL's for fuel cells.

SELECTED ANNUAL FINANCIAL INFORMATION

Results of Operations	**Year ended,**		
	2013	**2012**	**2011**
(Expressed in thousands of U.S. dollars, except per share amounts and gross margin %)			
From continuing operations			
Revenues	**$ 61,251**	**$ 43,690**	**$ 55,773**
Gross margin	**$ 16,759**	**$ 7,369**	**$ 7,279**
Gross margin %	**27%**	**17%**	**13%**
Cash Operating Costs [1]	**$ 28,306**	**$ 30,301**	**$ 36,969**
Adjusted EBITDA [1]	**$ (8,188)**	**$ (22,076)**	**$ (27,913)**
Normalized Net Loss [1]	**$ (18,278)**	**$ (31,750)**	**$ (35,448)**
Normalized Net Loss per share	**$ (0.18)**	**$ (0.36)**	**$ (0.42)**
Net loss from continuing operations attributable to Ballard	**$ (19,988)**	**$ (42,320)**	**$ (37,175)**
Net loss per share attributable to Ballard, basic and diluted	**$ (0.20)**	**$ (0.48)**	**$ (0.44)**
From discontinued operations			
Net earnings (loss) from discontinued operations	**$ 24**	**$ (65)**	**$ 3,755**
Net earnings (loss) per share from discontinued operations	**$ -**	**$ -**	**$ 0.04**

Financial Position	**At December 31,**		
	2013	**2012**	**2011**
(expressed in thousands of U.S. dollars)			
Assets from continuing operations	**$ 120,214**	**$ 116,749**	**$ 165,290**
Assets from discontinued operations	**$ -**	**$ 10,798**	**$ -**
Total assets	**$ 120,214**	**$ 127,547**	**$ 165,290**
Cash and cash equivalents	**$ 30,301**	**$ 9,770**	**$ 20,316**
Short-term investments	**$ -**	**$ 12,068**	**$ 25,878**
Bank operating line	**$ -**	**$ (9,358)**	**$ (4,587)**
Net cash reserves	**$ 30,301**	**$ 12,480**	**$ 41,607**

[1] Cash Operating Costs, Adjusted EBITDA, Normalized Net Loss and Normalized Net Loss per share are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section.

2013 Performance compared to 2013 Business Outlook

During 2013, we achieved both of our guidance targets:

- Revenues in 2013 of $61.3 million were 40% higher than revenues in 2012, exceeding our 2013 outlook of revenue growth in excess of 30% over 2012 (or at least $56.8 million from $43.7 million in 2012); and

- Adjusted EBITDA in 2013 of ($8.2) million improved 63% over 2012, exceeding our 2013 outlook of Adjusted EBITDA improvement in excess of 50% from 2012 (or lower than ($11.1) million from ($22.1) million in 2012).

RESULTS OF OPERATIONS (from continuing operations) – Fourth Quarter of 2013
Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Fuel Cell Products and Services	**2013**	**2012**	$ Change	% Change
Telecom Backup Power	**$ 5,904**	**$ 5,793**	$ 111	2%
Material Handling	**1,968**	**1,491**	477	32%
Engineering Services	**6,215**	**7,070**	(855)	(12%)
Development Stage	**3,229**	**2,122**	1,107	52%
Revenues	**17,316**	**16,476**	840	5%
Cost of goods sold	**11,422**	**12,789**	(1,367)	(11%)
Gross Margin	**$ 5,894**	**$ 3,687**	$ 2,207	60%
Gross Margin %	**34%**	**22%**	n/a	12 pts

Fuel Cell Products and Services Revenues of $17.3 million for the fourth quarter of 2013 increased 5%, or $0.8 million, compared to the fourth quarter of 2012. The 5% increase was driven by higher Development Stage, Material Handling, and Telecom Backup Power revenues, partially offset by a decline in Engineering Services revenues.

Development stage revenues of $3.2 million increased $1.1 million, or 52%, due to significantly higher Bus revenues as a result of the Azure Bus Licensing Agreement which more than offset lower shipments in the fourth quarter of 2013 of heavy-duty fuel cell bus modules primarily to Van Hool NV. Material Handling revenues of $2.0 million increased $0.5 million, or 32%, as a result of significantly higher shipments in support of Plug Power Inc.'s GenDrive™ systems. Telecom Backup Power revenues of $5.9 million increased $0.1 million, or 2%, as increased shipments of hydrogen-based backup power stacks and increased shipments of methanol-based backup power systems more than offset the impact of a significant decline in shipments of hydrogen-based backup power systems (total methanol-based and hydrogen-based system shipments were 177 in the fourth quarter of 2013 as compared to 204 systems in the fourth quarter of 2012). Engineering Services revenues of $6.2 million declined ($0.9) million, or (12%), as services performed in the fourth quarter of 2013 on the Volkswagen and Azure agreements and other contracts were lower than amounts performed in the fourth quarter of 2012 on the Anglo American Platinum Limited project and certain other automotive contracts.

Fuel Cell Products and Services gross margins increased to $5.9 million, or 34% of revenues, for the fourth quarter of 2013, compared to $3.7 million, or 22% of revenues, for the fourth quarter of 2012. The overall increase and improvement in gross margin was driven by the 5% increase in overall revenues, the significant increase in higher margin Bus revenues which benefited from the Azure Bus Licensing Agreement, and by our ongoing

product cost reduction efforts across all of our platforms. Gross margins in the fourth quarter of 2013 also benefited from a net downward adjustment to cost of product and service revenues of $0.5 million as a result of a reduction in accrued warranty obligations of $1.0 million, net of inventory obsolescence charges of ($0.5) million, both related primarily to contractual service expirations in the Bus market.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2013	2012	$ Change	% Change
Research and Product Development (operating cost)	**$ 2,327**	$ 3,705	$ (1,378)	(37%)
General and Administrative (operating cost)	**2,223**	1,736	487	28%
Sales and Marketing (operating cost)	**1,912**	1,892	20	1%
Cash Operating Costs	**$ 6,462**	$ 7,333	$ (871)	(12%)

Cash Operating Costs is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section. Cash Operating Costs adjusts operating expenses for stock-based compensation expense, depreciation and amortization, restructuring charges, acquisition costs and financing charges.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for the fourth quarter of 2013 were $6.5 million, a decline of ($0.9) million, or (12%), compared to the fourth quarter of 2012. The 12% reduction in the fourth quarter of 2013 was driven primarily by a decline in research and product development costs as a result of the redirection of engineering resources to revenue generating engineering service projects, which more than offset an increased investment in sales and marketing capacity primarily in the Telecom Backup Power market largely related to the increase in sales personnel associated with the acquisition of the Idatech assets in August 2012. Labour and material costs incurred on revenue producing engineering services projects are reallocated from research and product development expenses to cost of goods sold. After adjusting for an increase in allowance for doubtful accounts of $0.3 million recorded in the fourth quarter of 2013, general and administrative costs were effectively flat quarter over quarter.

As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian dollar relative to the U.S. dollar was approximately 6% lower for the fourth quarter of 2013 as compared to the fourth quarter of 2012, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $0.4 million. A $0.01 decrease in the Canadian dollar, relative to the U.S. dollar, positively impacts annual Cash Operating Costs and Adjusted EBITDA by approximately $0.2 million to $0.3 million.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2013	2012	$ Change	% Change
Adjusted EBITDA	$ **171**	$ (3,222)	$ 3,393	105%

EBITDA and Adjusted EBITDA are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, finance and other income, and acquisition costs.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for the fourth quarter of 2013 was $0.2 million, an improvement of $3.4 million, or 105%, compared to the fourth quarter of 2012. The $3.4 million reduction in Adjusted EBITDA loss in the fourth quarter of 2013 was driven by gross margin improvements of $2.2 million as a result of the 5% increase in total revenues and the overall improvement as a percentage of revenue from 22% to 34%,

combined with a reduction in Cash Operating Costs of $0.9 million.

Net loss attributable to Ballard

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2013	2012	$ Change	% Change
Net loss attributable to Ballard from continuing operations	$ **(2,274)**	$ (17,059)	$ 14,785	87%

Net loss attributable to Ballard from continuing operations for the fourth quarter of 2013 was ($2.3) million, or ($0.02) per share, compared to a net loss of ($17.1) million, or ($0.19) per share, in the fourth quarter of 2012. The $14.8 million reduction in net loss for the fourth quarter of 2013 was driven by the improvement in Adjusted EBITDA of $3.4 million, and by a Fuel Cell Products and Services goodwill impairment charge of ($10.0) million and an impairment charge of ($0.6) million related to a write-down of manufacturing equipment both recorded in the fourth quarter of 2012.

Excluding the impact of these impairment charges of ($10.6) million in the fourth quarter of 2012, Normalized Net Loss (see Supplemental Non-GAAP Measures) in the fourth quarter of 2013 improved by $4.4 million, or $0.05 per share, compared to the fourth quarter of 2012.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Dantherm Power. During the fourth quarters of 2013 and 2012, we held a 52% equity interest in Dantherm Power. Net loss attributed to the non-controlling 38% equity interest held by Dantherm Power A/S and the non-controlling 10% equity interest held by Azure for the fourth quarter of 2013 was ($0.2) million, as compared to a net loss attributed to non-controlling interests of ($0.5) million for the fourth quarter of 2012.

Net loss attributable to Ballard from continuing operations also excludes the net loss from discontinued operations of ($1.3) million for the fourth quarter of 2012. As a result of the disposition of our Materials Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our 2013 consolidated financial statements. Net loss from discontinued operations in the fourth quarter of 2012 was negatively impacted by a goodwill impairment charge of ($1.8) million and a write-down of property, plant and equipment of ($0.5) million.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2013	2012	$ Change	% Change
Cash (used in) provided by operating activities	**$ (872)**	$ (535)	$ (337)	(63%)

Cash used in operating activities in the fourth quarter of 2013 was ($0.9) million, consisting of cash operating losses of ($0.3) million and net working capital outflows of ($0.5) million. Cash used in operating activities in the fourth quarter of 2012 was ($0.5) million, consisting of cash operating losses of ($2.4) million and net working capital inflows of $1.9 million. The ($0.3) million increase in cash used by operating activities in the fourth quarter of 2013, as compared to the fourth quarter of 2012, was driven by higher relative working capital requirements of ($2.4) million which more than offset the relative improvement in cash operating losses of $2.1 million. The $2.1 million improvement in cash operating losses was due primarily to the $3.4 million improvement in Adjusted EBITDA, partially offset by fourth quarter of 2012 cash operating income from discontinued operations of ($1.2) million.

The total change in working capital of ($0.5) million in the fourth quarter of 2013 was due primarily to lower accounts payable and accrued liabilities of ($6.9) million as a result of increased supplier payments made for higher inventory purchases in the first three quarters of 2013, partially offset by lower accounts receivable of $4.8 million due to significant customer collections in the quarter, and by lower inventory levels of $1.5 million. This compares to a total change in working capital of $1.9 million in the fourth quarter of 2012 which was driven by lower inventory of $5.4 million as we consumed previously built-up or acquired inventory in order to fulfill the higher product shipments in the fourth quarter of 2012, combined with higher deferred revenue and cost recovery of $0.9 million. These fourth quarter of 2012 working capital inflows were partially offset by higher accounts receivable of ($2.5) million due primarily to the timing of shipment versus collection of our fuel cell product and service revenues, and by lower accounts payable and accrued liabilities of ($2.6) million due to increased supplier payments made for higher inventory purchases in the first three quarters of 2012.

RESULTS OF OPERATIONS (from continuing operations) – Year ended December 31, 2013

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Fuel Cell Products and Services	**2013**	**2012**	$ Change	% Change
Telecom Backup Power	**$ 20,464**	**$ 11,764**	$ 8,700	74%
aterial Handling	**6,456**	**6,161**	295	5%
Engineering Services	**21,132**	**16,987**	4,145	24%
Development Stage	**13,199**	**8,778**	4,421	50%
Revenues	**61,251**	**43,690**	17,561	40%
Cost of goods sold	**44,492**	**36,321**	8,171	22%
Gross Margin	**$ 16,759**	**$ 7,369**	$ 9,390	127%
Gross Margin %	**27%**	**17%**	n/a	10 pts

Fuel Cell Products and Services Revenues of $61.3 million for 2013 increased 40%, or $17.6 million, compared to 2012. The 40% increase was driven by significantly higher Telecom Backup Power, Development Stage and Engineering Services revenues combined with a slight increase in Material Handling revenues.

Telecom Backup Power revenues of $20.5 million increased $8.7 million, or 74%, as a result of higher shipments (796 systems in 2013 as compared to 399 systems in 2012) of methanol-based and hydrogen-based backup power systems enabled primarily by our August 2012 acquisition of Idatech's key assets, combined with a modest increase in shipments of hydrogen-based backup power stacks. Engineering Services revenues of $21.1 million increased $4.1 million, or 24%, as services performed in 2013 on the new Volkswagen and Azure agreements and other contracts were significantly higher than amounts performed in 2012 on the Anglo American Platinum Limited project and certain other automotive contracts. Development stage revenues of $13.2 million increased $4.4 million, or 50%, due to significantly higher Bus revenues as a result of the Azure Bus Licensing Agreement and consistent shipments of heavy-duty fuel cell bus modules primarily to Van Hool NV, Azure, Sunline Transit Agency and CTTransit. This increase in Bus revenues in 2013 more than offset a decline in Distributed Generation revenues due

primarily to the completion of the Toyota distributed power CLEARgen™ fuel cell system project in 2012. Material Handling revenues of $6.5 million increased $0.3 million, or 5%, as a result of slightly higher shipments in support of Plug Power Inc.'s GenDrive™ systems.

Fuel Cell Products and Services gross margins increased to $16.8 million, or 27% of revenues for 2013, compared to $7.4 million, or 17% of revenues for 2012. The overall increase and improvement in gross margin was driven by the 40% increase in overall revenues, the significant increase in higher margin Engineering Services and higher margin Bus revenues which benefited from the Azure Bus Licensing Agreement, combined with our ongoing product cost reduction efforts across all of our platforms. Gross margins in 2013 also benefited from a net downward adjustment to cost of product and service revenues of $0.7 million as a result of a reduction in accrued warranty obligations of $1.5 million, net of inventory obsolescence charges of ($0.8) million, both related primarily to contractual service expirations in the Bus market.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Change
Research and Product Development (operating cost)	**$ 12,592**	$ 15,719	$ (3,127)	(20%)
General and Administrative (operating cost)	**8,485**	8,106	379	5%
Sales and Marketing (operating cost)	**7,229**	6,476	753	12%
Cash Operating Costs	**$ 28,306**	$ 30,301	$ (1,995)	(7%)

Cash Operating Costs is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section. Cash Operating Costs adjusts operating expenses for stock-based compensation expense, depreciation and amortization, restructuring charges, acquisition costs and financing charges.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for 2013 were $28.3 million, a decline of ($2.0) million, or (7%), compared to 2012. The 7% reduction in 2013 was driven primarily by lower research and product development costs as a result of the redirection of engineering resources to revenue generating engineering service projects combined with lower operating costs across the business as a result of our continued cost reduction efforts including a 7% workforce reduction initiated in July 2012. Labour and material costs incurred on revenue producing engineering services projects are reallocated from research and product development expenses to cost of goods sold. These improvements more than offset the increased investment in sales and marketing capacity primarily in the Telecom Backup Power market largely related to the increase in sales personnel associated with the acquisition of the Idatech assets in August 2012.

As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian dollar relative to the U.S. dollar was approximately 3% lower for 2013 as compared 2012, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $0.7 million. A $0.01 decrease in the Canadian dollar, relative to the U.S. dollar, positively impacts annual Cash Operating Costs and Adjusted EBITDA by approximately $0.2 million to $0.3 million.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Chane
Adjusted EBITDA	$ **(8,188)**	$ (22,076)	$ 13,888	63%

EBITDA and Adjusted EBITDA are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, finance and other income, and acquisition costs.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for 2013 was ($8.2) million, an improvement of $13.9 million, or 63%, compared to 2012. The $13.9 million reduction in Adjusted EBITDA loss in 2013 was driven by gross margin improvements of $9.4 million as a result of the 40% increase in total revenues and the overall improvement as a percentage of revenue from 17% to 27%, combined with the reduction in Cash Operating Costs of $2.0 million. Adjusted EBITDA in 2012 was also negatively impacted by restructuring charges of ($1.9) million related to a 7% workforce adjustment initiated in July 2012 and a minor restructuring focused on manufacturing overhead cost reduction initiated in April 2012.

Net loss attributable to Ballard

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Change
Net loss attributable to Ballard from continuing operations	$ **(19,988)**	$ (42,320)	$ 22,332	53%

Net loss attributable to Ballard from continuing operations for 2013 was ($20.0) million, or ($0.20) per share, compared to a net loss of ($42.3) million, or ($0.48) per share, in 2012. The $22.3 million reduction in net loss in 2013 was driven by the improvement in Adjusted EBITDA of $13.8 million, partially offset by higher stock-based compensation of ($1.2) million as a result of a downward adjustment to accrued stock-based compensation in 2012, and by a ($1.2) million charge to Finance income (loss) as a result of the settlement of the TPC obligation. On settlement with TPC on January 15, 2013, we recorded a charge of ($1.2) million to Finance income (loss) representing the excess of the settlement amount of $1.9 million over royalty amounts accrued as of the date of settlement of $0.7 million. Net loss in 2013 was also negatively impacted by impairment charges of ($0.5) million as we wrote-down our non-core investment in Chrysalix Energy Limited Partnership from $0.7 million to its estimated net realizable value of $0.2 million. Net loss in 2012 was also negatively impacted by a Fuel Cells Products and Services goodwill impairment charge of ($10.0) million and an impairment charge of ($0.6) million related to a write-down of manufacturing equipment.

Excluding the impact of the TPC settlement charge of ($1.2) million and the Chrysalix impairment charge of ($0.5) million in 2013, and the impairment charges of ($10.6) million in 2012, Normalized Net Loss (see Supplemental Non-GAAP Measures) in 2013 improved $13.5 million, or $0.18 per share, as compared to 2012.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Dantherm Power. During the first quarter of 2013, we held a 57% equity interest in Dantherm Power as compared to a 52% equity interest held in the last three quarters of 2013 and throughout 2012. As a result of the Azure investment in Dantherm Power on March 31, 2013, we now hold a 52% equity interest in Dantherm Power as compared to the non-controlling 38% equity interest held by Dantherm Power A/S and the non-controlling 10% equity interest held by Azure. Net loss attributed to non-controlling interests for 2013 was ($1.7) million, as compared to ($1.3)

million for 2012. The increased loss at Dantherm Power in 2013 is primarily a result of a decline in higher margin engineering services revenues in 2013.

Net loss attributable to Ballard from continuing operations also excludes the net loss from discontinued operations of ($0.1) million for 2012. As a result of the disposition of our Materials Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our 2013 consolidated financial statements. Net loss from discontinued operations in 2012 includes a goodwill impairment charge of ($1.8) million and a write-down of property, plant and equipment of ($0.5) million.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Change
Cash (used in) provided by operating activities	**$ (17,416)**	$ (28,146)	$ 10,730	38%

Cash used by operating activities in 2013 was ($17.4) million, consisting of cash operating losses of ($12.1) million and net working capital outflows of ($5.3) million. Cash used in operating activities in 2012 was ($28.1) million, consisting of cash operating losses of ($22.2) million and net working capital outflows of ($5.9) million. The $10.7 million reduction in cash used by operating activities in 2013, as compared to 2012, was driven by the relative improvement in cash operating losses of $10.1 million combined with the reduction in working capital requirements of $0.6 million. The $10.1 million improvement in cash operating losses was due primarily to the $13.8 million improvement in Adjusted EBITDA, partially offset by 2012 cash operating income from discontinued operations of ($3.2) million.

The total change in working capital of ($5.3) million in 2013 was driven by lower accounts payable and accrued liabilities of ($4.9) million as a result of increased supplier payments made for higher inventory purchases in the fourth quarter of 2012 and in 2013, and by higher inventory of ($2.8) million due to the build of inventory to support expected higher product shipments in 2014. These 2013 working capital outflows were partially offset by lower accounts receivable of $1.3 million primarily as a result of the timing of Bus and Telecom Backup Power revenues and the related customer collections, and by higher deferred revenue of $2.5 million as we received Engineering Services and SDTC government grant receipts in advance of incurring the related contract work. This compares to a total change in working capital of ($5.9) million in 2012 which was driven primarily by lower accounts payable and accrued liabilities of ($10.5) million due to increased supplier payments made for higher inventory purchases in the fourth quarter of 2011 and in the first three quarters of 2012 combined with the payment of accrued 2011 annual employee bonuses, partially offset by lower inventory of $4.4 million as we consumed previously built-up or acquired inventory in order to fulfill the higher product shipments in the fourth quarter of 2012.

RESULTS OF DISCONTINUED OPERATIONS – 2013 and 2012

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Change
Revenues	**$ -**	$ 4,783	$ (4,783)	(100%)
Cost of goods sold	**-**	3,265	(3,265)	(100%)
Gross margin	**-**	1,518	(1,518)	(100%)
Operating expenses	**-**	(495)	495	100%
Impairment (charge) recovery on property, plant and equipment	**-**	(500)	500	100%
Impairment (charge) on goodwill	**-**	(1,815)	1,815	100%
Income taxes	**-**	(7)	7	100%
Net earnings (loss) from discontinued operations	**$ -**	$ (1,299)	$ 1,299	100%
Net earnings (loss) from discontinued operations excluding impairment charges	**$ -**	$ 1,016	$ (1,016)	(100%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Change
Revenues	**$ 867**	$ 15,540	$ (14,673)	(94%)
Cost of goods sold	**627**	11,159	(10,532)	(94%)
Gross margin	**240**	4,381	(4,141)	(95%)
Operating expenses	**(252)**	(2,053)	1,801	88%
Impairment (charge) recovery on property, plant and equipment	**45**	(500)	545	109%
Impairment (charge) on goodwill	**-**	(1,815)	1,815	100%
Income taxes	**(9)**	(78)	69	88%
Net earnings (loss) from discontinued operations	**$ 24**	$ (65)	$ 89	137%
Net earnings (loss) from discontinued operations excluding impairment charges	**$ (21)**	$ 2,250	$ (2,271)	(101%)

As a result of the disposition of our Materials Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our 2013 and 2012 consolidated financial statements. As such, the operating results of the former Material Products segment for the month of January 2013 and for 2012 have been removed from our results from continuing operations and are instead presented separately in the statement of comprehensive income as income from discontinued operations. The former Materials Product segment sold carbon fiber products primarily for automotive transmissions, and GDL's for fuel cells.

Impairment charges in 2012 were determined based on a fair value less costs to sell assessment which compared the segment's carrying value at December 31, 2012 to the actual net proceeds received on disposition on January 31, 2013. As a result of this assessment, we recorded charges against income from discontinued operations in the fourth quarter of 2012 of ($1.8) million related to a write-off of Material Products goodwill and ($0.5) million related to a write-down of property, plant and equipment.

OPERATING EXPENSES AND OTHER ITEMS FROM CONTINUING OPERATIONS

Research and product development expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Research and product development	**2013**	2012	$ Change	% Change
Research and product development expense	**$ 3,589**	$ 4,677	$ (1088)	(23%)
Less: Depreciation and amortization expense	**$ (967)**	$ (449)	$ (518)	(115%)
Less: Stock-based compensation expense	**$ (295)**	$ (523)	$ 228	44%
Research and product development (operating cost)	**$ 2,327**	$ 3,705	$ (1,378)	(37%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Research and product development	**2013**	2012	$ Change	% Change
Research and product development expense	**$ 17,117**	$ 19,273	$ (2,156)	(11%)
Less: Depreciation and amortization expense	**$ (3,286)**	$ (2,593)	$ (693)	(27%)
Less: Stock-based compensation expense	**$ (1,239)**	$ (961)	$ (278)	(29%)
Research and product development (operating cost)	**$ 12,592**	$ 15,719	$ (3,127)	(20%)

Research and product development expenses for the three months ended December 31, 2013 were $3.6 million, a decrease of ($1.1) million, or (23%), compared to the corresponding period of 2012. Excluding depreciation and amortization expense of ($1.0) million and ($0.4) million, respectively, and excluding stock-based compensation expense of ($0.3) million and ($0.5) million, respectively, in each of the periods, research and product development costs were $2.3 million, a decline of ($1.4) million, or (37%), compared to the fourth quarter of 2012.

Research and product development expenses for the year ended December 31, 2013 were $17.1 million, a decrease of ($2.2) million, or (11%), compared to 2012. Excluding depreciation and amortization expense of ($3.3) million and ($2.6) million, respectively, and excluding stock-based compensation expense of ($1.2) million and ($1.0) million, respectively, in each of the periods, research and product development costs were $12.6 million, a decline of ($3.1) million, or (20%), compared to 2012.

The respective 37% and 20% reductions in the fourth quarter of 2013 and the year ended December 31, 2013 were primarily as a result of the redirection of engineering labour resources to revenue generating engineering service projects, by the receipt of government funding for certain of our research and product development efforts, by lower operating costs across the business due to our continued cost reduction efforts including a 7% workforce reduction initiated in July 2012, and by lower labour costs in 2013 as a result of a slightly lower Canadian dollar relative to the U.S. dollar and the resulting positive impact on our Canadian operating cost base. These cost reductions in 2013 more than offset the impact of a downward adjustment to accrued cash-based compensation expense recorded in 2012 as a result of under performing against our 2012 corporate performance targets. Government research funding is reflected as a cost offset to research and product development expenses, whereas labour and material costs incurred on revenue producing engineering services projects are reallocated from research and product development expenses to cost of goods sold.

General and administrative expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
General and administrative	**2013**	2012	$ Change	% Change
General and administrative expense	**$ 2,993**	$ 3,236	$ (243)	(8%)
Less: Depreciation and amortization expense	**$ (42)**	$ (55)	$ 13	24%
Less: Restructuring charges	**$ (43)**	$ -	$ (43)	(100%)
Less: Acquisition and integration costs	**$ -**	$ (91)	$ 91	100%
Less: Financing charges	**$ -**	$ (564)	$ 564	100%
Less: Stock-based compensation expense	**$ (685)**	$ (790)	$ 105	13%
General and administrative (operating cost)	**$ 2,223**	$ 1,736	$ 487	28%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
General and administrative	**2013**	2012	$ Change	% Change
General and administrative expense	**$ 11,413**	$ 12,306	$ (893)	(7%)
Less: Depreciation and amortization expense	**$ (177)**	$ (235)	$ 58	25%
Less: Restructuring charges	**$ (568)**	$ (1,931)	$ 1,363	71%
Less: Acquisition and integration costs	**$ (78)**	$ (274)	$ 196	72%
Less: Financing charges	**$ -**	$ (564)	$ 564	100%
Less: Stock-based compensation expense	**$ (2,105)**	$ (1,196)	$ (909)	(76%)
General and administrative (operating cost)	**$ 8,485**	$ 8,106	$ 379	5%

General and administrative expenses for the three months ended December 31, 2013 were $3.0 million, a decrease of ($0.2) million, or (8%), compared to the corresponding period of 2012. Excluding relatively insignificant depreciation and amortization expense, restructuring charges and acquisition costs, and excluding stock-based compensation expense of ($0.7) million and ($0.8) million, respectively, in each of the periods, and financing charges of ($0.6) million in the fourth quarter of 2012 related to withdrawn financing efforts, general and administrative costs were $2.2 million, an increase of $0.5 million, or 28%, compared to the fourth quarter of 2012.

General and administrative expenses for the year ended December 31, 2013 were $11.4 million, a decrease of ($0.9) million, or (7%), compared to the corresponding period of 2012. Excluding relatively insignificant depreciation and amortization expense and acquisition and integration costs, and excluding restructuring charges of ($0.6) million and ($1.9) million, respectively, in each of the periods, stock-based compensation expense of ($2.1) million and ($1.2) million, respectively, in each of the periods, and financing charges of ($0.6) million in the fourth quarter of 2012 related to withdrawn financing efforts, general and administrative costs were $8.5 million, an increase of $0.4 million, or 5%, compared to 2012.

The respective 28% and 5% increases in the fourth quarter of 2013 and the year ended December 31, 2013 were primarily as a result of a downward adjustment to accrued cash-based compensation expense recorded in 2012 and higher one-time legal expenses (approximately $0.3 million) incurred in the first quarter of 2013 related to the Volkswagen contract and the TPC settlement. These cost pressures in 2013 more than offset the benefit of our continued cost reduction efforts across the business including a 7% workforce reduction initiated in July 2012 and lower labour costs in 2013 as a result of a slightly lower Canadian dollar relative to the U.S. dollar and the resulting positive impact on our Canadian operating cost base. General and administrative costs also include impairment losses on trade receivables of ($0.3) million and ($0.2) million, respectively, in 2013 and 2012.

The increase in stock-based compensation expense in 2013 was due primarily to a downward adjustment to accrued stock-based compensation in 2012 as certain outstanding

restricted share units ultimately failed to meet the vesting criteria in 2012 and were eventually cancelled in 2012.

Restructuring charges of ($0.6) million in 2013 relate primarily to minor restructurings focused on overhead cost reduction. Restructuring charges of ($1.9) million in 2012 relate primarily to the 7% workforce reduction initiated in July 2012 and a minor restructuring focused on manufacturing overhead cost reduction initiated in April 2012. Acquisition and integration costs of ($0.3) million in 2012 relate to the Idatech acquisition.

Sales and marketing expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Sales and marketing	**2013**	2012	$ Change	% Change
Sales and marketing expense	**$ 1,934**	$ 2,134	$ (200)	(9%)
Less: Stock-based compensation expense	**$ (22)**	$ (242)	$ 220	91%
Sales and marketing (operating cost)	**$ 1,912**	$ 1,892	$ 20	1%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Sales and marketing	**2013**	2012	$ Change	% Change
Sales and marketing expense	**$ 7,661**	$ 6,901	$ 759	11%
Less: Stock-based compensation expense	**$ (431)**	$ (425)	$ (6)	(1%)
Sales and marketing (operating cost)	**$ 7,230**	$ 6,476	$ 753	12%

Sales and marketing expenses for the three months ended December 31, 2013 were $1.9 million, a decrease of ($0.2) million, or (9%), compared to the corresponding period of 2012. Excluding stock-based compensation expense of nil and ($0.2) million in each of the periods, sales and marketing costs were $1.9 million, an increase of nil million, or 1%, compared to the fourth quarter of 2012.

Sales and marketing expenses for the year ended December 31, 2013 were $7.7 million, an increase of $0.8 million, or 11%, compared to the corresponding period of 2012. Excluding stock-based compensation expense of ($0.4) million in each of the periods, sales and marketing costs were $7.2 million, an increase of $0.8 million, or 12%, compared to 2012.

The respective 1% and 12% increases in the fourth quarter of 2013 and the year ended December 31, 2013 were primarily as a result of increased investment in sales and marketing capacity primarily in the Telecom Backup Power market largely related to the increase in sales personnel associated with the acquisition of the Idatech assets in August 2012.

Finance income (loss) and other for the three months and year ended December 31, 2013 was $0.5 million and $0.2 million, respectively, compared to ($0.1) million and ($0.2) million, respectively, for the corresponding periods of 2012. The following tables provide a breakdown of our finance and other income (loss) for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2013	2012	$ Change	% Change
Employee future benefit plan expense	**$ (92)**	$ (279)	$ 187	67%
Investment and other income	**54**	48	6	13%
Foreign exchange gain (loss)	**584**	148	436	294%
Finance income (loss) and other	**$ 546**	$ (83)	$ 629	758%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2013	2012	$ Change	% Change
Employee future benefit plan expense	**$ (282)**	$ (279)	$ (3)	(1%)
Settlement of TPC funding obligation	**(1,197)**	-	(1,197)	(100%)
Investment and other income	**141**	238	(97)	(41%)
Foreign exchange gain (loss)	**1,553**	(178)	1,731	972%
Finance income (loss) and other	**$ 215**	$ (219)	$ 434	198%

Employee future benefit plan expense for the three months and year ended December 31, 2013 were ($0.1) million and ($0.3) million, respectively, compared to ($0.3) million for each of the corresponding periods of 2012. Employee future benefit plan expense primarily represents the excess of expected interest cost on plan obligations in excess of the expected return on plan assets related to a curtailed defined benefit pension plan for our current and former United States employees.

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

Foreign exchange gains for the three months and year ended December 31, 2013 were $0.6 million and $1.6 million, respectively, compared to nominal amounts for the corresponding periods of 2012. Foreign exchange gains and losses are attributable primarily to the effect of the changes in the value of the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated net monetary position. Foreign exchange gains and losses are also impacted by the conversion of Dantherm Power’s assets and liabilities from the Danish Kroner to the U.S. dollar at exchange rates in effect at each reporting date. Foreign exchange gains in 2013 arose primarily as a result of the approximate 6% decline in the Canadian dollar, relative to the U.S. dollar, and its impact on our net Canadian dollar-denominated net liability position. Foreign exchange gains (losses) in 2012 were nominal as the Canadian dollar, relative to the U.S. dollar, was relatively stable over 2012.

Investment and other income for the three nine months and years ended December 31, 2013 and 2012 were nominal and were earned primarily on our cash, cash equivalents and short-term investments.

Finance expense for the three months and year ended December 31, 2013 was ($0.3) million and ($1.5) million, respectively, compared to ($0.5) million and ($1.7) million, respectively, for the corresponding periods of 2012. Finance expense relates primarily to the sale and leaseback of our head office building in Burnaby, British Columbia which was completed on March 9, 2010. Due to the long term nature of the lease, the leaseback of

the building qualifies as a finance (or capital) lease.

Impairment loss on property, plant and equipment for the three months and year ended December 31, 2012 was ($0.6) million and relate to a write-down of manufacturing equipment never put into use.

Impairment loss on goodwill for the three months and year ended December 31, 2012 was ($10.0) million and consists of an impairment charge related to our Fuel Cell Products segment.

Impairment loss on investment for the three months and year ended December 31, 2013 was ($0.2) million and ($0.5) million, respectively, and consists of an impairment charge related to our non-core investment in Chrysalix Energy Limited Partnership which was written down from $0.7 million over the year to its estimated net realizable value of $0.2 million.

Net loss attributed to Dantherm Power non-controlling interests for the three months and year ended December 31, 2013 was ($0.2) million and ($1.7) million, respectively, compared to ($0.5) million and ($1.3) million, respectively, for the corresponding periods of 2012. Amounts primarily represent the non-controlling interest of Dantherm A/S and Azure in the losses of Dantherm Power as a result of their 43% total equity interest in the first quarter of 2013 and their 48% total equity interest in the last three quarters of 2013 and throughout 2012. The decline in performance at Dantherm Power in 2013 as compared to 2012 is primarily a result of a decline in higher margin engineering services revenues in 2013.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

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

(Expressed in thousands of U.S. dollars, except per share amounts and weighted average shares outstanding which are expressed in thousands)	Quarter ended,			
	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Revenues from continuing operations	$ 17,316	$ 17,003	$ 14,597	$ 12,335
Net income (loss) attributable to Ballard from continuing operations	$ (2,274)	$ (4,574)	$ (5,203)	$ (7,936)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.02)	$ (0.05)	$ (0.05)	$ (0.09)
Weighted average common shares outstanding	109,113	99,364	99,233	92,233
	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
Revenues	$ 16,476	$ 10,311	$ 6,824	$ 10,078
Net income (loss) attributable to Ballard	$ (16,809)	$ (9,185)	$ (7,416)	$ (8,660)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.18)	$ (0.10)	$ (0.09)	$ (0.10)
Weighted average common shares outstanding	91,801	89,269	84,621	84,566

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

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

revenues also reflect the timing of work performed and the achievements of milestones under long-term fixed price contracts including our contract with Volkswagen which commenced in the first quarter of 2013 and our Azure Bus Licensing Agreement which commenced in the third quarter of 2013. Revenues were also positively impacted in 2013 and in the third and fourth quarters of 2012 as a result of our acquisition of Idatech's key assets and product lines as of August 1, 2012.

- **Operating expenditures**: Operating expenses were negatively impacted by restructuring charges of ($1.6) million in the third quarter of 2012 as a result of a 7% workforce reduction. Restructuringcharges are recognized in general and administrative expense. Operating expenses also include the impact of changes in the value of the Canadian dollar, versus the U.S. dollar, on our Canadian dollar denominated expenditures.

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

- **Impairment loss on property, plant and equipment** : The net loss for the fourth quarter of 2012 was negatively impacted by an impairment charge of ($0.6) million related to the write-down of manufacturing equipment never put into use.

- **Impairment loss on investment**: The net loss for the second quarter of 2013 was negatively impacted by an impairment charge of ($0.4) million related to a write-down of our non-core investment in Chrysalix Energy Limited Partnership.

- **Impairment loss on goodwill**: The net loss for the fourth quarter of 2012 was negatively impacted by an impairment charge of ($10.0) million related to a write-down of goodwill in our Fuel Cell Products segment.

CASH FLOWS

Cash, cash equivalents and short-term investments were $30.3 million (or $30.3 million net of Operating Facility draws of nil) at December 31, 2013, compared to $21.8 million (or $12.5 million net of Operating Facility draws of $9.4 million) at December 31, 2012. The $8.5 million increase in cash, cash equivalents and short-term investments in 2013 was driven by March and October Offering net proceeds of $20.0 million, net proceeds on sale of the Material Products segment of $9.1 million, Anglo Note financing of $4.0 million, and the Azure investment in Dantherm Power of $2.0 million. These inflows were partially offset by a net loss (excluding non-cash items) of ($12.0) million, by net working capital requirements of ($5.4) million, and by net repayments against the Operating Facility of ($8.8) million.

For the three months ended December 31, 2013, cash used by operating activities was ($0.9) million, consisting of cash operating losses of ($0.3) million and net working capital outflows of ($0.5) million. For the three months ended December 31, 2012, cash used by operating activities was ($0.5) million, consisting of cash operating losses of ($2.4) million and net working capital inflows of $1.9 million. The ($0.3) million increase in cash used by operating activities in the fourth quarter of 2013, as compared to the fourth quarter of 2012, was driven primarily by higher relative working capital requirements of ($2.4) million which more than offset lower cash operating losses of $2.1 million. The $2.1 million improvement in cash operating losses was due primarily to the $3.4 million improvement in Adjusted EBITDA, partially offset by fourth quarter of 2012 cash operating income from discontinued operations of ($1.2) million. In the fourth quarter of 2013, net working capital cash outflows of ($0.5) million was due primarily to lower accounts payable and accrued

liabilities of ($6.9) million as a result of increased supplier payments made for higher inventory purchases in the first three quarter of 2013, partially offset by lower accounts receivable of $4.8 million due to significant customer collections in the quarter, and by lower inventory levels of $1.5 million. Working capital inflows of $1.9 million in the fourth quarter of 2012 were driven by lower inventory of $5.4 million as we consumed previously built-up or acquired inventory in order to fulfill the higher product shipments in the fourth quarter of 2012, combined with higher deferred revenue and cost recovery of $0.9 million. These fourth quarter of 2012 working capital inflows were partially offset by higher accounts receivable of ($2.5) million due primarily to the timing of shipment versus collection of our fuel cell product and service revenues, and by lower accounts payable and accrued liabilities of ($2.6) million due to increased supplier payments made for higher inventory purchases in the first three quarters of 2012.

For the year ended December 31, 2013, cash used by operating activities was ($17.4) million, consisting of cash operating losses of ($12.0) million and net working capital outflows of ($5.4) million. For the year ended December 31, 2012, cash used by operating activities was ($28.1) million, consisting of cash operating losses of ($22.2) million and net working capital outflows of ($5.9) million. The $10.7 million reduction in cash used by operating activities in 2013, as compared to 2012, was driven by the relative improvement in cash operating losses of $10.1 million combined with the reduction in working capital requirements of $0.6 million. The $10.1 million improvement in cash operating losses was due primarily to the $13.9 million improvement in Adjusted EBITDA, partially offset by 2012 cash operating income from discontinued operations of ($3.2) million. In 2013, net working capital outflows of ($5.4) million in 2013 was driven by lower accounts payable and accrued liabilities of ($5.0) million as a result of increased supplier payments made for higher inventory purchases in the fourth quarter of 2012 and in 2013, and by higher inventory of ($2.9) million due to the buildup of inventory to support expected higher product shipments in 2014. These 2013 working capital outflows were partially offset by lower accounts receivable of $1.9 million primarily as a result of the timing of Bus and Telecom Backup Power revenues and the related customer collections, and by higher deferred revenue of $2.4 million as we received Engineering Services and SDTC government grant receipts in advance of incurring the related contract work. Working capital outflows of ($5.9) million in 2012 was driven primarily by lower accounts payable and accrued liabilities of ($10.5) million due to increased supplier payments made for higher inventory purchases in the fourth quarter of 2011 and in the first three quarters of 2012 combined with the payment of accrued 2011 annual employee bonuses, partially offset by lower inventory of $4.4 million as we consumed previously built-up or acquired inventory in order to fulfill the higher product shipments in the fourth quarter of 2012.

Investing activities resulted in cash outflows of ($0.1) million and inflows of $20.9 million, respectively, for the three and twelve months ended December 31, 2013, compared to cash inflows of $0.4 million and $13.0 million for the corresponding periods of 2012. Changes in short-term investments resulted in cash inflows of nil and $12.1 million, respectively, for the three and twelve month periods ended December 31, 2013, compared to cash inflows of $0.6 million and $13.8 million, respectively, for the corresponding periods of 2012. Balances change between cash equivalents and short-term investments as we make investment decisions with regards to the term of investments and our future cash requirements.

Other investing activities in 2013 consist primarily of net proceeds of $9.1 million received from the disposition of the former Material Products segment. Other investing activities in

2012 consist primarily of proceeds on sale of $0.4 million for previously impaired manufacturing equipment, less capital expenditures of ($1.2) million.

Financing activities resulted in cash inflows of $10.5 million and $16.9 million, respectively, for the three and twelve months ended December 31, 2013, compared to cash outflows of ($0.4) million and inflows of $4.6 million, respectively, for the corresponding periods of 2012. Financing activities in 2013 include net October Offering proceeds of $13.1 million, net March Offering proceeds of $6.8 million, Anglo Note financing of $4.0 million, and proceeds related to the Azure investment in Dantherm Power of $2.0 million. These financing cash inflows in 2013 were partially offset by the full repayment of ($9.1) million against our Operating Facility which was used to assist with the financing of our working capital requirements and by finance lease payments of ($1.0) million. Financing activities in 2012 primarily represent advances, net of repayments, of $4.8 million on our Operating Facility. Financing activities in 2012 also include proceeds on convertible debenture financing from the Dantherm Power non-controlling interests to Dantherm Power of $0.9 million, partially offset by finance lease payments of ($1.0) million.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, we had total Liquidity of $30.3 million. We measure Liquidity as our net cash position, consisting of the sum of our cash, cash equivalents and short-term investments of $30.3 million, net of amounts drawn on our $10 million Canadian demand revolving facility (“Operating Facility”) of nil. The Operating Facility is occasionally used to assist in financing our short term working capital requirements and is secured by a hypothecation of our cash, cash equivalents and short-term investments.

We also have a $2.3 million Canadian capital leasing facility (“Leasing Facility”) which is used to finance the acquisition and / or lease of operating equipment and is secured by a hypothecation of our cash, cash equivalents and short-term investments. At December, 2013, $1.8 million was outstanding on the Leasing Facility.

Our Liquidity objective is to maintain cash balances sufficient to fund at least six quarters of forecasted cash used by operating activities at all times. Our strategy to attain this objective is to continue our drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on Fuel Cell Products and Services revenue growth, improving overall gross margins, minimizing Cash Operating Costs, managing working capital requirements, and securing additional financing to fund our operations as needed until we do achieve profitable operations that are sustainable. As a result of our recent actions to bolster our cash balances including the disposition of the Material Products division, the March and October equity Offerings, and the issuance of the Anglo Note, we believe that we have adequate liquidity in cash and working capital to meet this Liquidity objective and to finance our operations.

Failure to achieve or maintain this Liquidity objective will have a material adverse effect on our financial condition and results of operations including our ability to continue as a going concern. There are also various risks and uncertainties affecting our ability to achieve this Liquidity objective including, but not limited to, the market acceptance and rate of commercialization of our products, the ability to successfully execute our business plan, and general global economic conditions, certain of which are beyond our control. While we continue to make significant investments in product development and market development activities necessary to commercialize our products, and make increased investments in working capital as we grow our business, our actual liquidity requirements will also vary and will be impacted by our relationships with our lead customers and strategic partners,

our success in developing new channels to market and relationships with customers, our success in generating revenue growth from near-term product opportunities, our success in managing our operating expense and working capital requirements, foreign exchange fluctuations, and the progress and results of our research, development and demonstration programs.

In addition to our existing cash reserves of $30.3 million at December 31, 2013, there are 7.275 million warrants outstanding (expire March 27, 2018) from the March Offering each of which enables the holder to purchase one common share at a fixed price of $1.50 per common share, and 2.588 million warrants outstanding (expire October 9, 2018) from the October Offering each of which enable the holder to purchase one common share at a fixed price of $2.00 per common share. If any of these warrants are exercised, our liquidity position would be further augmented. We may also choose to pursue additional liquidity through the issuance of debt or equity in private or public market financings. To enable such an action and to allow the exercise of warrants, we filed a short form base shelf prospectus ("Prospectus") in April 2012 in each of the provinces and territories of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 ("Registration Statement") with the United States Securities and Exchange Commission. These filings enable offerings of equity securities during the effective period (to May 2014) of the Prospectus and Registration Statements. However, no assurance can be given that any such additional liquidity will be available or that, if available, it can be obtained on terms favorable to the Company.

2014 BUSINESS OUTLOOK

We expect the positive growth trends in 2012 and 2013 to continue in 2014 with a similar trajectory as we continue to pursue our growth strategy for fuel cell product sales, engineering services and intellectual property licensing. For 2014, we expect:

- Revenue growth of approximately 30% (over 2013 revenue of $61.3 million); *and*
- Approximately break-even Adjusted EBITDA (from ($8.2) million in 2013).

Consistent with the past couple of years, we expect a majority of our 2014 revenue to be realized in the second half of the year. Our revenue outlook for 2014 is based on our internal revenue forecast which reflects an assessment of overall business conditions and takes into account actual sales in the first two months of 2014, sales orders received for units and services to be delivered in 2014, and an estimate with respect to the generation of new sales in each of our markets for the balance of 2014. Our 2014 business revenue outlook is also supported by our 12-month order book of $43.5 million at December 31, 2013 ($36.8 million at December 31, 2012). The primary risk factors that could cause us to miss our revenue guidance for 2014 are Azure not fulfilling its obligations under the Azure Bus Licensing Agreement and other purchase commitments, delays from forecast in terms of closing and delivering expected sales primarily in our Telecom Backup Power market, and potential disruptions in the Material Handling market as a result of our reliance on a single customer in this market.

The key drivers for the expected improvement in Adjusted EBITDA for 2014 are expected increases in gross margins driven primarily by the above noted 30% increase in expected overall revenues combined with a continued shift to higher-margin Engineering Services and intellectual property licensing revenues, supported by continued operating expense optimization and a resulting reduction in Cash Operating Costs to the low to mid-$20 million range in 2014 from $28.3 million in 2013. Consistent with the expectation that a majority of our 2014 revenue will fall in the last half of the year, Adjusted EBITDA is

expected to be improved in the last half of 2014, as compared to the first half of 2014.

Our Adjusted EBITDA outlook for 2014 is based on our internal Adjusted EBITDA forecast and takes into account our actual results for the first two months of 2014, our forecasted gross margin related to the above revenue forecast, the costs of our current and forecasted Cash Operating Costs, and assumes an average U.S. dollar exchange rate in the low 90's in relation to the Canadian dollar for 2014. The primary risk factors that could cause us to miss our target Adjusted EBITDA outlook for 2014 is lower than expected gross margins due to (i) Azure not fulfilling its obligations under the Azure Bus Licensing Agreement and other purchase commitments, unexpected delays in terms of closing and delivering expected sales orders primarily in our Telecom Backup Power market, or lower revenues from forecast due to potential disruptions in the Material Handling market as a result of our reliance on a single customer in this market; (ii) shifts in product and service sales mix negatively impacting projected gross margin as a percentage of revenues; or (iii) delays in the timing of our projected product cost reductions. In addition, Adjusted EBITDA could also be negatively impacted by increases in Cash Operating Costs as a result of (i) lower than anticipated labour-based engineering services revenues or government cost recoveries, or increased product development costs due to unexpected cost overruns; or (ii) negative foreign exchange impacts due to a higher than expected Canadian dollar which impacts the cost of our Canadian dollar denominated operating expense base (primarily labour). A $0.01 decrease in the Canadian dollar, relative to the U.S. dollar, positively impacts annual Cash Operating Costs and Adjusted EBITDA by approximately $0.2 million to $0.3 million.

Similar to prior years and consistent with our revenue, Cash Operating Cost and Adjusted EBITDA performance expectations for 2014 and the resulting expected impacts on gross margin and working capital, we expect cash use in 2014 to be higher in the first half of 2014, as compared to the second half of 2014. Cash use in the first half of 2014 is expected to be negatively impacted by the payout of annual 2013 employee bonuses, the buildup of inventory to support higher product shipments in the last half of the year, and by the timing of revenues and the related customer collections which are also expected to be skewed towards the last half of the year. Our cash usage expectations for 2014 is based on our internal net cash forecast and takes into account our actual results for the first two months of 2014 and our forecasted net cash requirements for the balance of the year as a result of the above noted Adjusted EBITDA forecast and our expectations for working capital requirements, capital expenditures, and other investing, and financing activities for the year. The primary risk factors that could cause us to miss our cash flow from operations expectations for 2014 are lower than expected Adjusted EBITDA performance as a result of the occurrence of any or all of the above noted risk factors, and increased working capital requirements primarily as a result of (i) higher than anticipated accounts receivable due to delays in the timing of revenues and the related customer collections, (ii) unexpected changes in the timing and amount of expected government grants and the related contract payments; (iii) unexpected changes in the timing and mix of supplier purchases and payments; and (iv) increased inventory levels due to unexpected changes in the timing and mix of expected product shipments.

OFF-BALANCE SHEET ARRANGEMENTS & CONTRACTUAL OBLIGATIONS

Periodically, we use forward foreign exchange and forward platinum purchase contracts to manage our exposure to currency rate fluctuations and platinum price fluctuations. We record these contracts at their fair value as either assets or liabilities on our balance sheet. Any changes in fair value are either (i) recorded in our statement of comprehensive income

if formally designated and qualified under hedge accounting criteria; or (ii) recorded in our statement of operations if either not designated, or not qualified, under hedge accounting criteria. At December 31, 2013, we did not have any outstanding foreign exchange currency contracts or outstanding platinum forward purchase contracts.

At December 31, 2013, we did not have any other material obligations under guarantee contracts, retained or contingent interests in transferred assets, outstanding derivative instruments or non-consolidated variable interests.

At December 31, 2013, we had the following contractual obligations and commercial commitments:

(Expressed in thousands of U.S. dollars)	Payments due by period,				
Contractual Obligations	**Total**	Less than one year	1-3 years	3-5 years	After 5 years
Operating leases	**$ 18,114**	$ 2,566	$ 5,262	$ 5,161	$ 5,125
Capital leases	**17,318**	2,179	3,413	2,621	9,105
Asset retirement obligations	**5,955**	-	-	-	5,955
Total contractual obligations	**$ 41,387**	$ 4,745	$ 8,675	$ 7,782	$ 20,185

In addition, we have outstanding commitments of nil related primarily to purchases of capital assets at December 31, 2013. Capital expenditures pertain to our regular operations and are expected to be funded through cash on hand. Furthermore, we have issued irrevocable bank guarantees totaling $0.6 million at December 31, 2013 related to equipment prepayments received that expire in June 2014.

Prior to January 15, 2013, we also had previous funding obligations that were repayable through potential royalties in respect of sales of certain fuel cell-based stationary power products under a development program with the Canadian government agency, Technology Partnerships Canada ("TPC"). Under the terms of the Utilities Development Program with TPC, total royalties were payable annually at 4% of revenue of such products and limited to a total maximum repayment of CDN $38.3 million. As at January 15, 2013, a cumulative total of CDN $5.3 million in royalty repayments has been made to TPC. On January 15, 2013, we reached an agreement with TPC to terminate the Company's obligation for all existing and future potential royalties payable in respect of future sales of fuel cell based stationary power products under the Utilities Development Program in exchange for a final repayment to TPC of CDN $1.9 million. The CDN $1.9 million settlement was paid in four equal quarterly installments of CDN $0.48 million in 2013.

As of December 31, 2013, we retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of CDN $5.4 million) on sales of certain fuel cell products for commercial distributed utility applications. No royalties have been incurred to date as a result of this agreement.

As of December 31, 2013, we retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of CDN $2.2 million) on sales on certain fuel cell products for commercial transit applications. No royalties have been incurred to date as a result of this agreement.

In the ordinary course of business or as required by certain acquisition or disposition agreements, we are periodically required to provide certain indemnities to other parties. Our Arrangement with Superior Plus includes an indemnification agreement dated December 31, 2008 (the "Indemnity Agreement"), which sets out 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 CDN $7.4 million with a threshold amount of CDN $0.5 million before there is an obligation to make a payment. Second, the Indemnity Agreement provides for adjustments to be paid by us, or to us, depending on the final determination of the amount of our Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. At December 31, 2013, we have not accrued any amount owing, or receivable, as a result of the Indemnity Agreement or any other indemnity agreements undertaken in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in either us or Dantherm Power, together with their subsidiaries and affiliates. Revenues and costs recognized from such transactions reflect the prices and terms of sale and purchase transactions with related parties, which are in accordance with normal trade practices at fair value. For 2013 and 2012, related party transactions and balances are limited to transactions between Dantherm Power and its non-controlling interests and are as follows:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		Year ended December 31,	
Transactions with related parties	**2013**	2012	**2013**	2012
Purchases	**$ 97**	$ -	**$ 185**	$ 309
Finance expense on Dantherm Power debt to Dantherm Power non-controlling interests	**$ 64**	$ 86	**$ 322**	$ 289

(Expressed in thousands of U.S. dollars)	As at December 31,	
Balances with related parties	**2013**	2012
Trade accounts payable	**$ 139**	$ 100
Interest payable	**$ 16**	$ 417
Dantherm Power debt to Dantherm Power non-controlling interests	**$ 550**	$ 2,507

On November 27, 2013, all of the convertible debt issued by our subsidiary Dantherm Power to the non-controlling interests in Dantherm Power was exercised and converted into shares of Dantherm Power. The conversion did not impact the respective ownership of Dantherm Power with Ballard retaining a 52% ownership interest as compared to a 38% interest held by Dantherm A/S and a 10% interest held by Azure. On conversion, the convertible debt (including interest payable) held by the non-controlling interests, Dantherm A/S and Azure, totaling $3.5 million, was reclassified on Ballard's statement of financial position from debt to equity. As of December 31, 2013, the outstanding Dantherm Power debt (including interest) to Dantherm Power non-controlling interests totals $0.6 million, bears interest at 6.0% per annum, is non-convertible, and is repayable by December 31, 2014 (extended to December 31, 2014 in February 2014).

OUTSTANDING SHARE DATA

As at February 25, 2014	
Common share outstanding	110,136,401
Warrants outstanding	9,862,500
Options outstanding	6,659,383

CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical Judgments in Applying Accounting Policies:

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

Our significant accounting policies are detailed in note 4 to our annual consolidated financial statements for the year ended December 31, 2013.

Key Sources of Estimation Uncertainty:

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

REVENUE RECOGNITION

Revenues are generated primarily from product sales, services and licenses in our Fuel Cell Products and Services segment. Product revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Service and license revenues are derived primarily from cost-plus reimbursable contracts and from long-term fixed price contracts.

On standard equipment and material sales contracts, revenues are recognized when (i) significant risks and rewards of ownership of the goods has been transferred to the buyer; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the sale will accrue to us; and (v) the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. Provisions are made at the time of sale for warranties. Revenue recognition for standard equipment and material sales contracts does not usually involve significant estimates.

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

reimbursable contracts does not usually involve significant estimates.

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

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

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

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

During the three months and year ended December, 2013 and 2012, there was no material adjustments to revenues relating to revenue recognized in a prior period.

ASSET IMPAIRMENT

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

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

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

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

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

We perform the annual review of goodwill as at December 31 of each year, more often if events or changes in circumstances indicate that it might be impaired. Under IFRS, the annual review of goodwill requires a comparison of the carrying value of the asset to the higher of (i) value in use; and (ii) fair value less costs to sell**.** Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state. As of December 31, 2013, our consolidated goodwill balance of $36.3 million relates solely to our Fuel Cell Products and Services segment. Based on the impairment test performed as at December 31, 2013, we have concluded that no goodwill impairment charge is required for the year ending December 31, 2013. Details of our 2013 goodwill impairment tests are as follows:

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

- In addition to this fair value test, we also performed a value in use test on our Fuel Cell Products and Services segment that compared the carrying value of the segment to the present value of future cash flows expected to be derived from the segment. The principal factors used in this discounted cash flow analysis requiring significant estimation are the projected results of operations, the discount rate based on the weighted average cost of capital ("WACC"), and terminal value assumptions. Our value in use test was based on a WACC of 15%; an average estimated compound annual growth rate of approximately 30% from 2013 to 2018; and a terminal year EBITDA multiplied by a terminal value multiplier of 5.0. Our value in use assessment resulted in

an estimated fair value for the Fuel Cell Products and Services segment that is consistent with that as determined under the above fair value, less costs to sell, assessment. As a result of this assessment, we have determined that the fair value of the Fuel Cell Products segment exceeds its carrying value by a significant amount as of December 31, 2013 indicating that no impairment charge is required for 2013.

In addition to the above goodwill impairment test, we perform a quarterly assessment of the carrying amounts of our non-financial assets (other than inventories) to determine whether there is any indication of impairment. As a result of this review, we recorded an impairment charge of ($0.6) million for the three months and year ended December 31, 2012 related to a write-down of manufacturing equipment that was never put into use.

WARRANTY PROVISION

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liabilities, we estimate the likelihood that products sold will experience warranty claims and the cost to resolve claims received. In making such determinations, we use estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, we may incur costs different from those provided for in our warranty provisions. During the three months and year ended December 31, 2013, we recorded provisions to accrued warranty liabilities of $0.1 million and $1.3 million, respectively, for new product sales, compared to $0.4 million and $1.5 million, respectively, for the three months and year ended December 31, 2012.

We review our warranty assumptions and make adjustments to accrued warranty liabilities quarterly based on the latest information available and to reflect the expiry of contractual obligations. Adjustments to accrued warranty liabilities are recorded in cost of product and service revenues. As a result of these reviews and the resulting adjustments, our warranty provision and cost of revenues for the three months and year ended December 31, 2013 were adjusted downwards by a net amount of $1.0 million and $1.5 million, respectively, compared to a net adjustment (upwards) downwards of ($0.2) million and $0.4 million, respectively, for the three months and year ended December 31, 2012. The adjustments to the accrued warranty liability provisions were primarily due to contractual expirations, changes in estimated and actual costs to repair, and improved lifetimes and reliability of our fuel cell products.

INVENTORY PROVISION

In determining the lower of cost and net realizable value of our inventory and establishing the appropriate provision for inventory obsolescence, we estimate the likelihood that inventory carrying values will be affected by changes in market pricing or demand for our products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than cost. We perform regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where we determine that such changes have occurred and will have a negative impact on the value of inventory on hand, appropriate provisions are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required. During the three months and year ended December 31, 2013, inventory provisions of $0.5 million and $0.8 million, respectively, were recorded as a charge to cost of product and

service revenues, compared to $0.2 million and $0.7 million, respectively, for the three months and year ended December 31, 2012.

EMPLOYEE FUTURE BENEFITS

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

INCOME TAXES

We use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the deferred income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for loss carry-forwards. The resulting changes in the net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As of December 31, 2013 and 2012, we have not recorded any deferred income tax assets on our consolidated statement of financial position.

NEW AND FUTURE IFRS ACCOUNTING POLICIES

Recently Adopted Accounting Policy Changes:

As required by IFRS, we adopted the following accounting standard changes effective January 1, 2013.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

In May 2011, the IASB published IFRS 10 “Consolidated Financial Statements” which is a replacement of SIC-12 “Consolidation – Special Purpose Entities”, and certain parts of IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

a) Power over the investee;

b) Exposure or rights to variable returns from involvement with the investee;

c) The ability to use power over the investee to affect the amount of the investor’s returns.

The adoption of IFRS 10 did not change our conclusions around control of our investees, and therefore no adjustment to previous accounting for investees was required in our consolidated financial statements.

IFRS 11 – JOINT ARRANGEMENTS

In May 2011, the IASB published IFRS 11 “Joint Arrangements” which supersedes IAS 31

"Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 11 requires that joint ventures be accounted for using the equity method of accounting and eliminates the need for proportionate consolidation.

We were not impacted by the adoption of IFRS 11.

IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

In May 2011, the IASB published IFRS 12 "Disclosure of Interests in Other Entities" which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements.

The adoption of IFRS 12 did not have a material impact on our consolidated financial statements.

IFRS 13 – FAIR VALUE MEASUREMENT

In May 2011, the IASB published IFRS 13 "Fair Value Measurement" to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements.

The adoption of IFRS 13 did not have a material impact on our consolidated financial statements. In accordance with IFRS 13, we have included additional fair value disclosures in our consolidated financial statements for the year ended December 31, 2013.

AMENDMENTS TO IAS 19 – EMPLOYEE BENEFITS

In June 2011, the IASB issued amendments to IAS 19 "Employee Benefits". Changes in defined benefit obligations and plan assets are to be recognized in other comprehensive income when they occur, thus eliminating the corridor approach and accelerating recognition of past service cost. Net interest is to be recognized in net earnings and calculated using the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds. The actual return on plan assets minus net interest is to be recognized in other comprehensive income.

The adoption of IFRS 19 did not have a material impact on our financial statements as our accounting policy for employee benefits for the presentation of pension expense and the immediate recognition of actuarial gains and losses in other comprehensive income is consistent with the requirements of the amended IAS 19 standard. In accordance with the amended IAS 19 standard, we have included the required additional disclosures our consolidated financial statements for the year ended December 31, 2013. Furthermore, the computation of annual expense for 2013 has been based on the application of the discount rate used for the calculation of the defined benefit obligation to the expected return on plan assets, the impact of which was not material.

AMENDMENTS TO IAS 1 – FINANCIAL STATEMENT PRESENTATION

In June 2011, the IASB issued amendments to IAS 1 "Presentation of Financial Statements". Items of other comprehensive income and the corresponding tax expense are required to be grouped into those that will and will not subsequently be reclassified through net earnings.

The adoption of the amendments to IAS 1 did not have a material impact on our financial

statements. In accordance with the amendments to IAS 1, we have modified our statement of profit or loss and other comprehensive income in our consolidated financial statements for the year ended December 31, 2013.

Future Accounting Policy Changes:

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

IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

AMENDMENTS TO OTHER IFRS STANDARDS

IAS 32 *Financial Instruments: Presentation* addresses inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014. We do not expect these amendments to have a material impact on our financial statements.

SUPPLEMENTAL NON-GAAP MEASURES

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

Cash Operating Costs

This supplemental non-GAAP measure is provided to assist readers in determining our operating costs on a cash basis. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe Cash Operating Costs is frequently used by securities analysts and investors when comparing our results with those of other companies. Cash Operating Costs differs from the most comparable GAAP measure, operating expenses, primarily because it does not include stock-based compensation expense, depreciation and amortization, restructuring charges, acquisition costs and financing charges. The following tables show a reconciliation of operating expenses to Cash Operating Costs from continuing operations for the three months and year ended December 31, 2013 and 2012:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Cash Operating Costs	**2013**	2012	$ Change
Total Operating Expenses	**$ 8,516**	$ 10,047	$ (1,531)
Stock-based compensation expense	**(1,002)**	(1,555)	553
Acquisition and integration costs	**-**	(91)	91
Restructuring charges	**(43)**	-	(43)
Financing charges	**-**	(564)	564
Depreciation and amortization	**(1,009)**	(504)	(505)
Cash Operating Costs	**$ 6,462**	$ 7,333	$ (871)

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Cash Operating Costs	**2013**	2012	$ Change
Total Operating Expenses	**$ 36,191**	$ 38,480	$ (2,289)
Stock-based compensation expense	**(3,775)**	(2,582)	(1,193)
Acquisition and integration costs	**(78)**	(274)	196
Restructuring charges	**(568)**	(1,931)	1,363
Financing charges	**-**	(564)	564
Depreciation and amortization	**(3,464)**	(2,828)	(636)
Cash Operating Costs	**$ 28,306**	$ 30,301	$ (1,995)

EBITDA and Adjusted EBITDA

These supplemental non-GAAP measures are provided to assist readers in determining our operating performance and ability to generate operating cash flow. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe EBITDA and Adjusted EBITDA are frequently used by securities analysts and investors when comparing our results with those of other companies. EBITDA differs from the most comparable GAAP measure, net loss attributable to Ballard from continuing operations, primarily because it does not include finance expense, income taxes, depreciation of property, plant and equipment, amortization of intangible assets, and goodwill impairment charges. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, asset impairment charges, finance and other income, and acquisition costs. The following tables show a reconciliation of net income attributable to Ballard to EBITDA and Adjusted EBITDA from continuing operations for the three months and year ended December 31, 2013 and 2012:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
EBITDA and Adjusted EBITDA	**2013**	2012	$ Change
Net loss from continuing operations attributable to Ballard	**$ (2,274)**	$ (17,059)	$ 14,785
Depreciation and amortization	**1,557**	1,016	541
Finance expense	**268**	458	(190)
Income taxes	**167**	-	167
EBITDA attributable to Ballard	**$ (282)**	$ (15,585)	$ 15,303
Stock-based compensation expense	**1,002**	1,555	(553)
Acquisition and integration costs	**-**	91	(91)
Finance and other (income) loss	**(546)**	83	(629)
Impairment of goodwill	**-**	10,000	(10,000)
Impairment of property, plant and equipment	**-**	570	(570)
Impairment of equity investment	**150**	-	150
Loss (gain) on sale of property, plant and equipment	**(153)**	64	(217)
Adjusted EBITDA	**$ 171**	$ (3,222)	$ 3,393

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
EBITDA and Adjusted EBITDA	**2013**	2012	$ Change
Net loss from continuing operations attributable to Ballard	**$ (19,988)**	$ (42,320)	$ 22,332
Depreciation and amortization	**5,655**	4,840	815
Finance expense	**1,486**	1,690	(204)
Income taxes	**485**	-	485
EBITDA attributable to Ballard	**$ (12,362)**	$ (35,790)	$ 23,428
Stock-based compensation expense	**3,775**	2,582	1,193
Acquisition and integration costs	**78**	274	(196)
Finance and other (income) loss	**(215)**	219	(434)
Impairment of goodwill	**-**	10,000	(10,000)
Impairment of property, plant and equipment	**-**	570	(570)
Impairment of equity investment	**513**	-	513
Loss (gain) on sale of property, plant and equipment	**23**	69	(46)
Adjusted EBITDA	**$ (8,188)**	$ (22,076)	$ 13,888

Normalized Net Loss

This supplemental non-GAAP measure is provided to assist readers in determining our financial performance. We believe this measure is useful in assessing our actual performance by adjusting our results from continuing operations for one-time transactional gains and losses and impairment losses. Normalized Net Loss differs from the most comparable GAAP measure, net loss attributable to Ballard from continuing operations, primarily because it does not include transactional gains and losses and asset impairment charges. The following table shows a reconciliation of net loss attributable to Ballard from continuing operations to Normalized Net Loss for the three months and year ended December 31, 2013 and 2012.

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Normalized Net Loss	**2013**	2012	$ Change
Net loss attributable to Ballard from continuing operations	**$ (2,274)**	$ (17,059)	$ 14,785
Impairment of equity investment	**150**	-	150
Impairment of goodwill	**-**	10,000	(10,000)
Impairment of property, plant and equipment	**-**	570	(570)
Normalized Net Loss	**$ (2,124)**	$ (6,489)	$ 4,365
Normalized Net Loss per share	**$ (0.02)**	$ (0.07)	$ 0.05

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Normalized Net Loss	**2013**	2012	$ Change
Net loss attributable to Ballard from continuing operations	**$ (19,988)**	$ (42,320)	$ 22,332
Settlement of TPC funding obligation	**1,197**	-	1,197
Impairment of equity investment	**513**	-	513
Impairment of goodwill	**-**	10,000	(10,000)
Impairment of property, plant and equipment	**-**	570	(570)
Normalized Net Loss	**$ (18,278)**	$ (31,750)	$ 13,472
Normalized Net Loss per share	**$ (0.18)**	$ (0.36)	$ 0.18

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

Disclosure controls and procedures

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

As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including the CEO and the CFO, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a–15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). The CEO and CFO have concluded that as of December 31, 2013, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein, and accumulated and reported to management to allow timely discussions regarding required disclosure.

Internal control over financial reporting

The CEO and CFO, together with other members of management, are responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is designed under our supervision, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

Management, including the CEO and CFO, have evaluated the effectiveness of internal control over financial reporting, as defined in Rules 13a–15(f) of the Exchange Act, in relation to criteria described in *Internal Control–Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, Management has determined that internal control over financial reporting was effective as of December 31, 2013.

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, 2013.

Changes in internal control over financial reporting

During the year ended December 31, 2013, 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. Our design of disclosure controls and procedures and internal controls over financial reporting includes controls, policies and procedures covering Dantherm Power.

RISKS & UNCERTAINTIES

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

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

- We may not be able to achieve commercialization of our products on the timetable we anticipate, or at all;
- We expect our cash reserves will be reduced due to future operating losses and working capital requirements, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary;
- A mass market for our products may never develop or may take longer to develop than we anticipate;
- We may not be able to successfully execute our business plan;
- In our Engineering Services market, we depend on a single customer for the majority of our revenues;
- In our material handling market, we depend on a single customer for the majority of our revenues;
- We have limited experience manufacturing fuel cell products on a commercial basis;

- Global economic conditions are beyond our control and may have an adverse impact on our business or on our key suppliers and / or customers;
- Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan;
- We could be adversely affected by risks associated with acquisitions;
- We are subject to risks inherent in international operations;
- Exchange rate fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability;
- Commodity price fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability;
- We are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products;
- We are dependent on third party suppliers for the supply of key materials and components for our products and services;
- We currently face and will continue to face significant competition;
- We could lose or fail to attract the personnel necessary to run our business;
- Public Policy and regulatory changes could hurt the market for our products;
- We depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our future growth and success;
- We could be liable for environmental damages resulting from our research, development or manufacturing operations; and
- Our products use flammable fuels and some generate high voltages, which could subject our business to product liability claims.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

In particular, these forward-looking statements are based on certain factors and assumptions disclosed in our “Outlook” as well as specific assumptions relating to our expectations with respect to the generation of new sales, producing, delivering and selling the expected product and service volumes at the expected prices, and controlling our costs.

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

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

EXHIBIT 99.3



BALLARD POWER SYSTEMS INC.

ANNUAL INFORMATION FORM

FEBRUARY 26, 2014

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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 working capital requirements, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary; a mass market for our products may never develop or may take longer to develop than we anticipate; we may not be able to successfully execute our business plan; in our engineering services market, we depend on a single customer for the majority of our revenues; in our material handling market, we depend on a single customer for the majority of our revenues; we have limited experience manufacturing fuel cell products on a commercial basis; global economic conditions are beyond our control and may have an adverse impact on our business or our key suppliers and/or customers; potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan; we could be adversely affected by risks associated with acquisitions; we are subject to risks inherent in international operations; exchange rate fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability; commodity price fluctuations are beyond our control and may have a material adverse effect on our business, operating results, financial condition and profitability; we are dependent upon Original Equipment Manufacturers and Systems Integrators to purchase certain of our products; we are dependent on third party suppliers for the supply of key materials and components for our products and services; we currently face and will continue to face significant competition; we could lose or fail to attract the personnel necessary to run our business; public policy and regulatory changes could hurt the market for our products; we depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our future growth and success; we could be liable for environmental damages resulting from our research, development or manufacturing operations; our products use flammable fuels and some generate high voltages, which could subject our business to product liability claims; and the other risks and uncertainties discussed elsewhere in this Annual Information Form.

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

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CORPORATE STRUCTURE

Name, Address and Incorporation

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

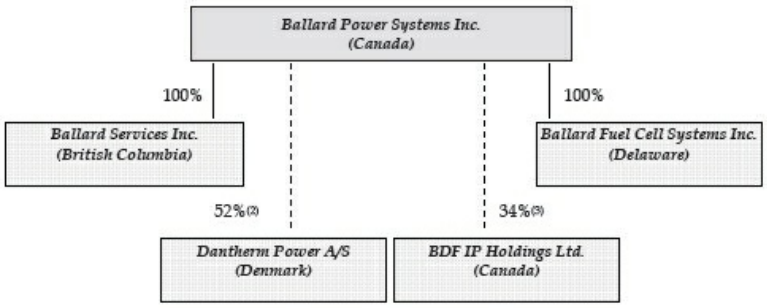
Previously, Ballard Power Systems Inc. was a British Columbia company incorporated on May 30, 1989. The original predecessor to Ballard was founded in 1979 under the name Ballard Research Inc. to conduct research and development on high-energy lithium batteries. In the course of investigating environmentally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

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

Intercorporate Relationships

We have four principal subsidiaries and affiliates: Ballard Fuel Cell Systems Inc., a Delaware corporation that develops methanol-fueled clean energy backup power systems; Dantherm Power A/S ("**Dantherm Power**"), a Denmark-based corporation jointly owned with Dantherm A/S and Azure Hydrogen Energy Science and Technology Corporation that develops hydrogen-fueled clean energy backup power systems; BDF IP Holdings Ltd. ("**IP Holdings**"), a Canadian corporation that holds intellectual property assets; and Ballard Services Inc., a British Columbia company that provides engineering services.

The following chart shows these principal subsidiaries and affiliates, their respective jurisdictions of incorporation and our percentage of share ownership in each of them, all as of February 26, 2014:



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Notes

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

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

Recent History

Over the past three years, we have continued to focus on our core fuel cell business and on markets with near-term commercial prospects. In support of this strategy, we have focused on bolstering our cash reserves to strengthen our capability to execute on our growth priorities. We have undertaken the following significant transactions in executing on this strategy.

October Public Offering

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

Azure Transaction

On September 26, 2013, we entered into multi-year agreements with Azure Hydrogen Energy Science and Technology Corporation ("Azure") to support Azure's

zero-emission fuel cell bus program for the Chinese market. Azure plans to partner with Chinese bus manufacturers in a phased development program for deployment of zero-emission fuel cell buses in China, using Ballard's fuel cell technology. The expected value of the transaction to Ballard over the initial 12 months of the first phase is approximately US$11.0 million, related to the license for module assembly together with associated equipment and engineering services.

Anglo Investment

On March 28, 2013, we completed a private placement with Anglo American Platinum Limited ("Anglo") under which Anglo invested US$4.0 million in Ballard through its PGM Development Fund. The investment was in the form of a US$4.0 million, 5-year, non-interest bearing convertible promissory note ("Note") issued by Ballard. The Note is convertible into, or repayable with, common shares at a price of US$0.84 per share (an aggregate of 4.76 million common shares are issuable on conversion or repayment of the entire US$4.0 million Note). This price per common share was set at a 20% discount to the market price of the common shares on the closing date of the transaction.

March Public Offering

On March 26, 2013, we closed an underwritten offering in the United States ("March Offering") of 7.275 million units at a price of US$1.10 per unit for gross proceeds of US$8.0 million. Each unit in the March Offering was comprised of one common share and one warrant to purchase one common share. Each warrant is exercisable immediately upon issuance and has a 5-year term and an exercise price of US$1.50 per share.

Engineering Services Contract with Volkswagen AG

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

Work involves the design and manufacture of a next-generation fuel cell for use in Volkswagen HyMotion demonstration cars. Ballard engineers are supporting critical areas of fuel cell product design – including the membrane electrode assembly (MEA), plate and stack components – along with testing and integration work.

Ballard Material Products Assets Sale

On January 31, 2013, we completed the sale of substantially all of the assets in our Lowell, Massachusetts based Material Products division for gross cash proceeds of

$10.5 million and additional potential proceeds of up to $1.5 million. The additional proceeds of up to $1.5 million are payable in 2014 and 2015 (through a GDL product credit) if the former Material Products division attains certain financial results in 2013.

Transfer of Interest in AFCC

On January 31, 2013, our 19.9% equity interest in AFCC Automotive Fuel Cell Corporation Corp. ("AFCC") was transferred to Ford pursuant to a purchase agreement with Ford, Daimler and AFCC dated January 31, 2008 (the "Share Purchase Agreement"). As part of an agreement with a financial institution in December 2009 to monetize our rights under the Share Purchase Agreement, Ballard pledged its shares in AFCC and assigned to that financial institution its right to sell those shares to Ford.

IdaTech Asset Acquisition

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

OUR BUSINESS

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in proton exchange membrane ("PEM") fuel cell development and commercialization. Our principal business is the design, development, manufacture, sale, service and license of fuel cell products for a variety of applications, focusing on our "commercial stage" markets of Telecom Backup Power and Material Handling and on our "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services for a variety of fuel cell applications.

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from

water through electrolysis. Ballard fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, modular design and environmental cleanliness. Embedded in each Ballard PEM fuel cell product lies a stack of unit cells designed with Ballard's proprietary technology which draws on intellectual property from our patent portfolio together with our extensive experience in key areas of fuel cell stack operation, system integration, and fuel processing

We provide our customers with the positive economic and environmental benefits unique to fuel cell power. We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading fuel cell products to meet the needs of our customers in select target markets. Our focus is on leveraging the inherent reliability and durability derived from our legacy automotive technology into non-automotive markets where demand is near term and on our core competencies of PEM fuel cell design, development, manufacture, sales and service.

Strategy

Our business strategy is a three-pronged approach to build shareholder value through product sales, engineering services, and licensing. In product sales, our focus is to leverage our product leadership and early mover positioning in the Telecom Backup Power and Material Handling markets. Through engineering services, our strategy is to leverage our technical capabilities and intellectual property, working with lead customers in profitable contract programs which could result in additional product sales opportunities. Our approach to Licensing is to monetize our extensive intellectual property portfolio and fundamental knowledge in ways that establish new customer relationships as well as opportunities in new markets. To support our business strategy and our capability to execute on our clean energy growth priorities, we have also focused our efforts on bolstering our cash reserves in addition to continued efforts on both product cost reduction and managing our operating expense base including overall expense reductions, the pursuit of government funding for our research and product development efforts, and the redirection of engineering resources to revenue bearing engineering service projects.

Revenues from Market Segments

During 2013, we reported our results in the single operating segment of Fuel Cell Products and Services. Our Fuel Cell Products and Services segment consists of the sale, service and license of fuel cell products for our "commercial stage" markets of Telecom Backup Power and Material Handling and for our "development stage" markets of Bus and Distributed Generation, as well as the provision of Engineering Services for a variety of fuel cell applications.

As a result of the disposition of our Material Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our 2013 and 2012 consolidated financial statements. As such, the operating results of the former Material Products segment for January 2013 and for 2012 have been removed from continuing operating results and are instead presented separately in the statement of comprehensive income as income from discontinued operations. The former Material Product segment sold carbon fiber products primarily for automotive transmissions and GDLs for fuel cells.

The following chart shows the percentage of total revenues which arises from sales to investees and sales of products and services to other customers, for the years 2013 and 2012:

	2013	2012
Revenues from Fuel Cell Products and Services		
Percentage of total revenues	100%	100%
Portion representing sales to investees [1]	0.2%	9.5%
Portion representing sales to customers other than investees	99.8%	90.5%

Our Markets, Products and Services

Product & Service Overview

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

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

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

(3) Fuel cell systems: Ballard also builds complete fuel cell systems for stationary power markets that are designed to solve certain energy needs of our customers. The ElectraGen® product lines provide fuel-flexible (hydrogen & methanol)

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

system solutions for Back-up power markets. The ClearGen™ product line provides system solutions for large scale Distributed Generation markets.

(4) Engineering Services: We provide engineering services for a variety of fuel cell applications.

(5) Material Products: As of December 31, 2012, we designed, developed, manufactured, sold and serviced carbon fiber materials that can be used in a variety of fuel cell and non-fuel cell applications. As of January 31, 2013, Ballard divested this business but maintains a strong customer/supplier relationship with the purchaser, AvCarb LLC.

The following table lists the key fuel cell and non-fuel cell products we currently produce, have under development or are testing.

Motive Power Product Family: FCvelocity® Fuel Cell Products		
Product Name	**Application**	**Status**
FCvelocity®-9SSL	Material handling	Sales to OEMs and system integrators
FCvelocity®-1020ACS	Material handling	Sales to OEMs and system integrators
FCvelocity®-HD6	Buses	Sales to OEMs and system integrators

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

Stationary Power Product Family: FCgen® Fuel Cell Products and System Products		
Product Name	**Application**	**Status**
ElectraGen®-Me	Back-up power systems	Sales to customers

Fuel Cell Products and Services

Commercial Stage Markets

Telecom Backup Power

Our focus in the back-up power market is on the telecommunications industry. The back-up power market is characterized by infrequent, extended duration power demand, in areas with reliable grids where outages typically occur monthly or less frequently and by frequent use power demand, in areas with unreliable grids experiencing regular outages often lasting 4-8 hours or more.

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

In 2013, Ballard completed the commissioning of 796 ElectraGen® systems, including over 300 5kW ElectraGen®-ME systems for cellular operators in Japan. Ballard also shipped 120 5kW ElectraGen®-H2 and 100 5kW ElectraGen®-ME modules to China. A total of 230 ElectraGen® products were also shipped to telecom operators in Southeast Asia, Europe, United States and Africa, mainly through our network of channel partners. Shipment of fuel cell stacks to back-up power market customers in 2013 totalled approximately 500 units.

Competition

The back-up power market is currently dominated by diesel generators and batteries. Advanced battery technology continues to make modest progress in the back-up power generation market. However, advanced battery technologies still require lengthy recharging and, in many cases, cannot meet desired run times without requiring substantial space. We believe that PEM fuel cell products are superior to batteries in some applications, because of their ability to provide extended run time without frequent or lengthy recharging, as well as their ability to offer lower life cycle costs, given that batteries require periodic replacement.

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

Material Handling

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

Our customer and partner in North America is Plug Power, a specialized system integrator achieving early market penetration deploying its GenDrive™ battery pack replacement fuel cell systems. In 2010, Plug Power began offering commercial GenDrive™ systems designed for Class 1, Class 2 and Class 3 trucks, all using Ballard fuel cells. Ballard's current equipment supply agreement with Plug Power extends through 2014.

Material handling fuel cell stack shipments in 2012 totalled 2,022 units, which represents a 42% increase over 2011 shipment levels. Shipments in 2013 were 2,325 units, which represent a 15% year-on-year increase. Ballard expects larger growth in 2014 as Plug Power executes repeat multi-facility orders with key customers, such as Walmart, Sysco and Kroger.

In order to support market growth, we continue to pursue cost reduction of our FCvelocity ®-9SSL and FCvelocity®-1020ACS fuel cell products. To date we have reduced the cost of these fuel cell products by roughly 50% since 2008. With increased purchase order commitments from Plug Power, we anticipate that both the scale and cadence of associated product shipments will contribute to increased manufacturing efficiency and further reductions in fuel cell stack costs.

Competition

Class 2 and Class 3 forklift trucks are currently dominated by lead-acid battery-powered solutions, as are Class 1 forklift trucks intended for indoor applications. Internal combustion engine ("**ICE**") power is typically seen as the solution for forklift trucks in Class 1 for outdoor applications. Compared to batteries, fuel cell systems in Class 1, Class 2 and Class 3 forklift trucks can provide extended run time without frequent and lengthy battery replacement and recharging cycles. For high-throughput, multi-shift warehouse or manufacturing operations, fuel cell forklift trucks can provide

a lower life cycle cost and total cost of ownership when compared with traditional lead-acid battery solutions.

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

Advanced battery technology continues to make progress in the material handling market. However, the high up-front cost of advanced batteries continues to be a barrier to broad market adoption. Furthermore, advanced battery technologies still requires significant time for recharging and, in many cases, cannot meet desired run times without requiring spare batteries and substantial space for battery charging and storage.

Development Stage Markets

Buses

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

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

At the end of 2013, there were 49 Ballard-powered fuel cell buses operating in ten cities worldwide: Whistler, BC (20) – the largest fuel cell bus fleet in the world; Palm Desert, California (2); London (8); San Remo (5); Oslo (5); Amsterdam (2); Cologne (2); Shanghai (3); Mumbai (1); and São Paulo (1). To date, Ballard-powered fuel cell buses have accumulated more than 300,000 hours of operation, accumulated more than 4.7 million kilometres in service and transported more than 7.5 million passengers. It was announced in late 2013 that the Whistler fleet is to be de-commissioned in 2014 after five successful years of operation.

Product cost reduction efforts for the FCvelocity®-HD6 fuel cell module in 2012 have focused on unit cell design enhancements, including extension of durability and lifetime. This ongoing effort was partially funded by a C$4.8 million award received in January 2010 (revised to C$6.9 million in June 2012) from Sustainable Development Technology Canada (“**SDTC**”) for the period from 2010 to 2012 (extended to November 2013) to further develop fuel cell power module technology for the transit bus market. Product cost reductions continued in 2013 with the development of our next generation

bus module, FCvelocity®-HD7, which is anticipated to reduce total cost of the module by 25% and is expected to be commercially launched during 2014. These ongoing cost reductions remain partially funded through the support of SDTC.

Competition

Diesel-powered buses currently dominate the market today. Compressed natural gas (" **CNG**") and diesel electric hybrid buses are lower-emission alternatives to diesel buses in limited service today. Other variants available today include gasoline hybrid buses and CNG hybrid buses. Electric trolley buses provide a zero-emission alternative, however, their purchase price is high and the overhead catenary power infrastructure is expensive to maintain and is considered aesthetically undesirable in many urban centres. Recently, hydrogen internal combustion engines have been demonstrated in transit buses with both conventional and hybrid drive systems. These have not been widely adopted primarily because of very low fuel efficiency, low power and low operational reliability.

We believe that fuel cells are the best zero-emission alternative for transit applications. They offer much greater fuel efficiency than conventional diesel buses, eliminate greenhouse gas emissions and eliminate the need for unsightly overhead catenary wires.

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

Distributed Generation

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

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

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

In June 2011, we obtained an C$7.0 million (revised to C$7.3 million in December 2012) award agreement from Sustainable Development Technology Canada ("SDTC") for the period from 2011 to 2013 (extended to 2014) to be used to extend the operating life and lower the product cost of FCgen®-1300, the fuel cell product that powers Ballard's ClearGen™ distributed generation system.

Competition

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

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

Engineering Services

During the last half of 2011, we refined our business strategy and established a focus on engineering services to leverage our expertise in fuel cell design, prototyping, manufacturing and servicing. This new operating unit has continued to grow through 2012 and 2013 and now offers fuel cell product developers an opportunity to capitalize on Ballard's competency in a range of specialized fuel cell activities, with the Ballard team providing tools and technologies for development, optimization, integration and validation of fuel cell components, stacks and systems.

We provide flexible programs, ranging from short-term analysis to extensive, multi-year product development projects. Current efforts are predominantly in support of automotive research programs; however, we are also pursuing opportunities in a number of other emerging markets, including aerospace, railway, residential and military applications.

In March 2013, we signed an agreement with Volkswagen AG for an engineering services contract to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. Ballard

engineers are supporting critical areas of fuel cell product design – including the membrane electrode assembly (MEA), plate and stack components – along with testing and integration work. Ballard has continued through 2013 to execute engineering services projects for other automotive customers.

As part of the transaction to support Azure's zero-emission fuel cell bus program, Ballard has agreed to provide a license, associated equipment and engineering services to enable assembly of FCvelocity®-HD7 bus power modules by Azure in China.

Competition

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

Impact of Regulations and Public Policy

United States

At the federal level, the Emergency Economic Stabilization Act of 2008 includes tax incentives to help minimize the cost of hydrogen and fuel cell projects. It offers an investment tax credit of 30% for qualified fuel cell property or $3,000/kW of the fuel cell nameplate capacity (i.e., expected system output), whichever is less. The equipment must be installed by December 31, 2016. In addition, it features a credit of 10% for combined-heat-and-power-system property.

The American Recovery and Reinvestment Act of 2009 expands incentives to encourage the installation of fuel cells and hydrogen fueling infrastructure. Incentives include:

- A fueling facility tax credit, which increases the dollar cap of the 30% hydrogen fueling infrastructure tax credit from $30,000 to $200,000.
- A manufacturing credit, which creates a 30% credit for investment in property used for manufacturing fuel cells and other technologies.
- A residential energy-efficiency credit, which raises the investment-tax-credit dollar cap for residential fuel cells in joint occupancy dwellings to $3,334/kW.

At the state level, the California Self-Generation Incentive Program, which is funded by ratepayers and administered by utilities, provides incentives for fuel cell generation. In 2011 the incentive was $2250/kW for power plants that operate on hydrogen from non-renewable resources and $4250/kW for those that operate on hydrogen from renewable resources. The program is funded annually and guidelines are published in a yearly handbook.

The availability of these incentives is expected to help drive demand for fuel cell products.

Other Jurisdictions

In Canada, SDTC operates the $590 million SD Tech Fund which supports projects that address climate change, air quality, clean water, and clean soil. The SD Tech Fund provides financial contributions to projects aimed at supporting the late-stage development and pre-commercial demonstration of clean technology solutions. SDTC does not require any repayments of the financial contributions it provides to funded projects through the SD Tech Fund. As noted elsewhere, SDTC agreed to provide Ballard with up to $11.8 million for funded projects that will extend through 2013.

As of 2012, feed-in tariff policies have been enacted in 92 jurisdictions around the world to encourage the adoption of renewable energy sources. Under a feed-in tariff, utilities are obligated to buy electricity from all eligible participants at rates based on the cost of renewable energy generation, which enables a diversity of projects to be developed at a reasonable return on investment. The rates are typically designed to ratchet downward over time to track technology improvements and overall cost reductions. Feed-in tariff programs also typically offer long-term (15–25 year) guaranteed purchase contracts for the electricity generated from such projects. Programs that support energy generation from hydrogen sources are expected to help drive demand for fuel cell products.

Another policy that is emerging in importance is the “quota” or “renewable portfolio standard” (“ **RPS**”). A quota/RPS is a government-mandated obligation on a utility company, group of companies, or consumers to provide or use a predetermined amount of renewable electricity. By early 2012, quota/RPS policies existed in 18 countries at the national level and in at least 53 other jurisdictions at the state, provincial, or regional level.

Beginning in 2012, the Ministry of Commerce, Industry and Energy (MOCIE) in Korea introduced an RPS as an alternative plan to the FIT. The program will mandate that 14 utilities generate 4% of electricity from renewables in 2015, increasing to 10% by 2020. Fuel cell projects receive the highest level of support under the Korea RPS system and this is expected to help drive demand for our products.

In Europe, the Fuel Cells and Hydrogen Joint Undertaking (“ **FCH JU**”) – part of the Joint Technology Initiative - is a public private partnership supporting research, technological development and demonstration activities in fuel cell and hydrogen energy technologies that provides subsidies for eligible projects through a cost share mechanism. FCH JU has a total budget amounting to nearly 1bn EUR to be invested by 2013 for projects through 2017. The sixth annual call for proposals has been published with a due date of May 2013.

Research and Product Development

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

Intellectual Property

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

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

As of February 26, 2014, Ballard owns or controls through IP Holdings, patents approximately as follows: 54 United States granted patents, 77 non-United States granted patents, 4 United States published patent applications and 34 published non-United States patent applications. Our patents will expire between March 2014 and August 2030.

We hold licence rights to additional intellectual property from a number of third parties. We have a royalty-free non-exclusive license to approximately 350 patents and patent applications from IdaTech LLC for methanol reforming and other fuel cell-related technologies. These licences also include non-exclusive, royalty-free access to all of the intellectual property rights held by NuCellSys GmbH ("NuCellSys"), a Daimler subsidiary, and to all of the intellectual property rights relating to fuel cells developed

by Daimler, Ford and their subsidiaries (either directly or through AFCC), including any intellectual property rights developed by them until January 31, 2013. As of February 26, 2014, of the approximately 2,000 patents and patent applications that were included in these licenses, approximately 500 of them are currently granted or pending.

Manufacturing

We currently manufacture our fuel cell products in three facilities. The Burnaby facilities are focused on the production of membrane electrode assemblies (MEAs), integration and testing of fuel cell stacks, assembly and testing of HD bus modules and distributed generation systems, as well as in support of products required through our engineering services contracts. We have invested extensively over the past few years to upgrade our MEA production capabilities from a discrete manufacturing methodology to an automated roll-to-roll process that is capable of supporting expected future growth. In Tijuana, Mexico, we operate a facility that is focused on the assembly of our ElectraGen® product line. This facility has sufficient capacity for near-term shipment volumes and, with minimum investment, can be expanded to support future market growth.

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

Quality

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

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

Facilities

We currently have the following principal facilities: (a) a leased 116,797 square feet (10,850 square meters) facility in Burnaby, British Columbia that houses our corporate headquarters and our fuel cell development, manufacturing and testing activities; (b) a leased 112,000 square feet (10,405 square meters) facility in Burnaby that houses some of our manufacturing facilities, as well as manufacturing facilities of Mercedes-Benz Canada and AFCC through a sublease; (c) a leased 8,676 square feet (806 square metres) facility in Bend, Oregon that houses our ElectraGen® product development group and system test lab; (d) a leased 4,100 square feet (381.5 square meters) facility in Hobro, Denmark; and (e) a leased 38,000 square feet (3,530 square metres) facility in Tijuana, Mexico which we operate under a shelter agreement for the manufacturing and testing of our ElectraGen® systems.

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

Human Resources

As of December 31, 2013, we had approximately 335 employees, 270 in Canada, 30 in the United States and 35 in Denmark, representing such diverse disciplines as electrochemistry, polymer chemistry, chemical, mechanical, electronic and electrical engineering, manufacturing, marketing, sales, business development, legal, finance, human resources, information technology and business management. Our employees in Canada and the United States are not represented by any labour union. In Denmark, there are two groups of technical employees subject to collective agreements, totalling less than 15 employees. Each employee must agree to confidentiality provisions as part of the terms of his or her employment, and certain employees have also executed non-competition agreements with us.

SHARE CAPITAL AND MARKET FOR SECURITIES

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As of February 26, 2014, our issued share capital consisted of 110,436,401 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 2013:

	TSX		NASDAQ	
	Price Range (CDN$)	**Average Daily Volume (#)**	**Price Range (U.S.$)**	**Average Daily Volume (#)**
January	$0.60-0.73	80,814	$0.59-0.75	194,062
February	$0.65-0.75	41,526	$0.67-0.73	96,831
March	$0.74-1.43	429,494	$0.70-1.41	1,382,422
April	$0.80-1.04	89,082	$0.78-1.02	438,587
May	$0.96-2.08	485,909	$0.92-2.02	2,018,815
June	$1.60-2.03	271,300	$1.55-1.99	1,253,341
July	$1.85-2.29	186,380	$1.76-2.21	886,647
August	$1.54-2.08	165,360	$1.46-2.00	719,664
September	$1.54-1.85	137,412	$1.48-1.81	984,284
October	$1.38-1.78	152,019	$1.33-1.73	1,224,192
November	$1.33-1.43	90,986	$1.27-1.38	573,625
December	$1.37-1.81	328,499	$1.28-1.70	2,194,711

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

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

DIVIDEND RECORD AND POLICY

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

DIRECTORS AND OFFICERS

Board of Directors

The following chart provides the following information as of February 26, 2014: the name and province or state of residence of each of our directors; each director's respective positions and offices held with Ballard, their principal occupation during the past five years; the period of time each has served as a director; and the number of shares and deferred share units (the "**DSUs**") beneficially owned or controlled by each of them.

Name, Province/State and Country of Residence[1]	**Principal Occupation[1]**	**Director Since**	**Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)**	**Deferred Share Units Owned or Controlled[2] (#/% of Class)**
Ian A. Bourne Alberta, Canada	Corporate Director and Chair of the Board of Ballard since May 2006. Formerly Executive Vice President and Chief Financial Officer of TransAlta Corporation (*electricity generation and marketing*) from January 1998 to December 2006, and from January 1998 to December 2005, respectively.	2003	26,824/0.024%	182,767/29.66%
Douglas P. Hayhurst British Columbia, Canada	Corporate Director of Ballard. Formerly an executive with IBM Canada Business Consulting Services *(consulting services)* and a Partner with PricewaterhouseCoopers Management Consultants *(consulting services).*	2012	5,000/0.005%	68,466/11.11%

Name, Province/State and Country of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
Edwin J. Kilroy Ontario, Canada	Chief Executive Officer of MedAvail Technologies Inc. since November 2012. Formerly Chief Executive Officer of Symcor Inc. (*business process outsourcing services*) from January 2005 to November 2010.	2002	2,752/0.002%	117,887/19.13%
John W. Sheridan British Columbia, Canada	President and Chief Executive Officer of Ballard since February 2006.	2001	434,522/0.393%	57,943/9.40%
Carol M. Stephenson British Columbia, Canada	Dean of the Richard Ivey School of Business at the University of Western Ontario, a position she has held since 2003. Previously, served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003.	2012	3,550/0.003%	79,828/12.95%

Name, Province/State and Country of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
David B. Sutcliffe British Columbia, Canada	Corporate Director of Ballard. Chief Executive Officer of Sierra Wireless, Inc. from May 1995 to October 2005. From May 2001 to April 2005, he was also the Chair of the Board of Sierra Wireless, Inc.	2005	3,600/0.003%	97,637/15.84%
Ian Sutcliffe Ontario, Canada	Corporate Director of Ballard. Partner at Sutcliffe & Associates Management Consultants since June 1985. Formerly CEO, Chairman and independent director of BluePoint Data (*IT services*) from September 2001 to June 2011 and Vice Chair and CEO of BCS Global (*video conferencing services*) from January 2003 to March 2004.	2013	10,000/0.009%	11,736/1.90%

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 February 26, 2014.

(2) Rounded to the nearest whole number. Information is accurate as at February 26, 2014.

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

Executive Officers

As of February 26, 2014, we had four executive officers. The name and province or state of residence of each executive officer, the offices held by each officer and each officer's principal occupation during the last five years are as follows:

Name and Province/State of Residence	Position	Principal Occupation
John W. Sheridan British Columbia, Canada	President and Chief Executive Officer	Executive of Ballard.
Tony Guglielmin British Columbia, Canada	Vice President and Chief Financial Officer	Executive of Ballard. Formerly SVP Finance and Chief Financial Officer of Canada Line Rapid Transit Inc. (2005 to 2009)
Paul Cass British Columbia, Canada	Vice President, Operations	Executive of Ballard. Formerly Director, Operations of Ballard.
Christopher J. Guzy British Columbia, Canada	Vice President and Chief Technical Officer	Executive of Ballard.

Shareholdings of Directors and Senior Officers

As of February 26, 2014, our directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 770,899 of our common shares, being 0.70% of our issued and outstanding common shares, and 616,264 DSUs.

AUDIT COMMITTEE MATTERS

Audit Committee Mandate

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

Composition of the Audit Committee

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

Name	Independent?	Financially Literate?	Relevant Education and Experience
Ian A. Bourne (*ex officio*)	Yes	Yes	Mr. Bourne was TransAlta Corporation's Executive Vice President from January 1998 to December 2006. From January 1998 to December 2005, Mr. Bourne was the Chief Financial Officer of TransAlta and was responsible for all financial policy, planning and reporting, as well as tax, treasury and risk management planning and implementation. Mr. Bourne has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.
Douglas P. Hayhurst	Yes	Yes	Mr. Hayhurst was an executive with IBM Canada Business Consulting Services and a Partner with PricewaterhouseCoopers Management Consultants. Prior to that, Mr. Hayhurst held various senior executive management roles with Price Waterhouse including National Deputy Managing Partner (Toronto) and Managing Partner for British Columbia (Vancouver). Mr. Hayhurst received a Fellowship (FCA) from the Institutes of Chartered Accountants of British Columbia and of Ontario. He has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.
Edwin J. Kilroy (Chair)	Yes	Yes	Mr. Kilroy has been the Chief Executive Officer of MedAvail Technologies Inc. since November 2012. Previously, he was the Chief Executive Officer of Symcor Inc. from January 2005 to November 2010. Prior to that, Mr. Kilroy was the Chief Executive Officer of IBM Canada Ltd. from April 2001 to January 2005.
David B. Sutcliffe	Yes	Yes	Mr. Sutcliffe was the Chief Executive Officer of Sierra Wireless, Inc. from May 1995 to October 2005. From May 2001 to April 2005, he was also the Chair of the Board of Sierra Wireless, Inc. He has completed the

Name	Independent?	Financially Literate?	Relevant Education and Experience
			Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.
Ian Sutcliffe	Yes	Yes	Mr. Sutcliffe has been a partner at Sutcliffe & Associates Management Consultants since June 1985. Previously, he was CEO, Chairman and independent director of BluePoint Data from September 2001 to June 2011 and Vice Chair and CEO of BCS Global from January 2003 to March 2004. Mr. Sutcliffe was President of Mediconsult.com from June 1995 to June 1999 and President and CEO from 1999 to 2001. Prior to that, he was with Coopers & Lybrand in Vancouver and London, England from June 1979 to June 1985.

The Audit Committee is responsible for recommending the appointment of our external auditors (for shareholder approval at our annual general meeting), monitoring the external auditors' qualifications and independence, and determining the appropriate level of remuneration for the external auditors. The external auditors report directly to the Audit Committee. The Audit Committee also approves in advance, on a case-by-case basis, any services to be provided by the external auditors that are not related to the audit. The following table shows the costs incurred with KPMG in 2013 and 2012 for audit and non-audit related work, all of which were approved by the Audit Committee:

Type of Audit Fees	2013	2012
Audit Fees	$447,170	$447,340
Audit-Related Fees	Nil	Nil
Tax Fees	Nil	$3,374
All Other Fees	Nil	Nil

Audit Fees

Audit fees were for professional services rendered by KPMG LLP for the audit of the annual financial statements, quarterly reviews and services provided in connection

with statutory and regulatory filings or engagements relating to prospectuses and other offering documents.

Audit-Related Fees

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

Tax Fees

The Tax Fees for 2012 related to tax advisory and transfer pricing services.

All Other Fees

There were no fees paid to KPMG LLP that would be considered "Other Fees" in 2013 or 2012. Fees to be disclosed under this category would be for products and services other than those described under the headings audit fees, audit-related fees and tax fees above.

TRANSFER AGENT AND REGISTRAR

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

LEGAL PROCEEDINGS

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

INTERESTS OF EXPERTS

KPMG LLP, our independent auditors, have audited our consolidated financial statements for the years ended December 31, 2013 and 2012. As at the date hereof, KPMG LLP has confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and the Public Company Accounting Oversight Board (United States).

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

MATERIAL CONTRACTS

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

October Public Offering

We entered into an underwriting agreement on October 3, 2013 in respect of the October Offering. The October Offering was completed on October 9, 2013, and consisted of the sale of 10.35 million units at a price of US$1.40 per unit for gross proceeds of US$14.5 million, which includes the exercise in full by the underwriters of their option to purchase up to an additional 15% of common shares and warrants to cover over-allotments.

Each unit in the October Offering was comprised of one common share and 0.25 of a warrant to purchase one common share of Ballard. Each whole warrant is exercisable immediately upon issuance, having a 5-year term and an exercise price of US$2.00 per share. Net proceeds from the October Offering were approximately US$13.2 million, after deducting underwriting discounts, commissions and other offering expenses.

Ballard filed the underwriting agreement on SEDAR on October 3, 2013 and a Material Change Report in respect of the October Offering on SEDAR on October 9, 2013.

Azure Transaction

On September 26, 2013, we entered into multi-year agreements ("Azure Bus Licensing Agreement") with Azure Hydrogen Energy Science and Technology Corporation ("Azure") to support Azure's zero-emission fuel cell bus program for the Chinese market. Azure plans to partner with Chinese bus manufacturers in a phased

development program for deployment of zero-emission fuel cell buses in China, using Ballard's fuel cell technology.

For the first phase of the program, Ballard has agreed to provide a license, associated equipment and engineering services to enable assembly of Ballard's FCvelocity®-HD7 bus power modules by Azure in China. Once this assembly capability is established, Azure will assemble modules with fuel cell stacks to be supplied exclusively by Ballard. The expected value of the transaction to Ballard over the initial 12 months of the first phase is approximately US$11.0 million, related to the license for module assembly together with associated equipment and engineering services.

Ballard filed a Material Change Report in respect of the Azure transaction on SEDAR on October 2, 2013.

Anglo Investment

On March 28, 2013, we completed a private placement with Anglo American Platinum Limited ("Anglo") under which Anglo invested US$4.0 million in Ballard through its PGM Development Fund to support continued commercial advancement of our fuel cell products in target market applications.

The strategic investment was in the form of a US$4.0 million, 5-year, non-interest bearing convertible promissory note ("Note") issued by Ballard. The Note is convertible into, or repayable with, Ballard common shares at a price of US$0.84 per share (an aggregate of 4.76 million common shares are issuable on conversion or repayment of the entire US$4.0 million Note). This price per common shares was set at a 20% discount to the market price of the shares on the closing date of the transaction.

Ballard filed a Material Change Report in respect of the Anglo transaction on SEDAR on March 25, 2013.

March Public Offering

We entered into an underwriting agreement on March 20, 2013 in respect of the March Offering. The March Offering was completed on March 26, 2013 and consisted of the sale of 7.275 million units at a price of US$1.10 per unit for gross proceeds of US$8.0 million.

Each unit in the March Offering was comprised of one common share and one warrant to purchase one common share of Ballard. Each warrant is exercisable immediately upon issuance, having a 5-year term and an exercise price of US$1.50 per share. Net proceeds from the March Offering were approximately US$6.8 million, after deducting underwriting discounts, commissions and other offering expenses.

Ballard filed the underwriting agreement on SEDAR on March 22, 2013 and a Material Change Report in respect of the March Offering on SEDAR on March 25, 2013.

Engineering Services Contract with Volkswagen AG

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

Work involves the design and manufacture of a next-generation fuel cell for use in Volkswagen HyMotion demonstration cars. Ballard engineers are supporting critical areas of fuel cell product design – including the membrane electrode assembly (MEA), plate and stack components – along with testing and integration work.

Volkswagen will own all intellectual property generated during the program while Ballard retains a royalty-free license to use it for all non-vehicular applications.

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

Ballard Material Products Asset Sale

On January 31, 2013, we completed the sale of substantially all of the assets in our Lowell, Massachusetts based Material Products division to ALY Holdings LLC (" **ALY Holdings**") in partnership with the division's senior management, through AvCarb LLC, a new company formed as a result of the transaction, for gross cash proceeds of $10.5 million and additional potential proceeds of up to $1.5 million. The additional proceeds of up to $1.5 million are payable in 2014 and 2015 (through a GDL product credit) if the former Material Products division attains certain financial results in 2013.

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

Ballard is required to indemnify AvCarb in respect of, and hold them harmless against, amongst other things, Damages (as the term is defined in the transaction agreement) incurred or suffered by AvCarb or any Affiliate thereof resulting from, relating to or constituting any liability, obligation or commitment of the Seller under or related to any applicable environmental laws to the extent arising out of or in connection with (i) any actual or alleged violation of, non-compliance with or liability under, any environmental law, in any case arising out of circumstances or conditions

occurring on or prior to the closing date in connection with any acquired assets, (ii) the release of any materials of environmental concern on or prior to the closing date at, on, in, under or migrating onto or from, any of the acquired assets or any property formerly owned, leased or used by Ballard Material Products Inc. or any of its predecessors or affiliates, (iii) the transportation, storage, release or recycling of, or arrangement for such activities with respect to, materials of environmental concern from, at or to any location on or prior to the closing date, (iv) the exposure of any person, on or prior to the closing date, to materials of environmental concern that were generated from or located on or in any property currently or formerly owned, leased or used by the Ballard Material Products Inc. or any of its predecessors or affiliates, and (v) any division, subsidiary or predecessor of, or any property owned, leased or used by, Ballard Material Products Inc. that was sold or otherwise transferred on or prior to the closing date.

The indemnification obligation is conditioned on AvCarb's not undertaking any subsurface investigation, drilling, excavation or other disturbance (unless reasonably necessary for normal maintenance of existing structures and improvements or for the expansion of existing structures or construction of new structures on the purchased property) or otherwise precipitating through its actions any Damages for a period of four years from the closing date of the transaction. Ballard's obligations are limited to 90% of the total cost of the remedial work required to comply with the remedial requirements applicable to properties used for industrial or commercial purposes.

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

IdaTech Asset Acquisition

On August 1, 2012, we completed the acquisition of key assets and product lines from IdaTech LLC ("IdaTech"), a former customer of Ballard. In exchange for $7.5 million of Ballard shares issued from treasury (7.1 million Ballard shares valued at $1.05 per share based on our share price as of the acquisition date), we acquired IdaTech's key assets including fuel cell systems inventory, prepaid rights to inventory, product lines for backup power applications, distributor and customer relationships, a license to intellectual property, the right to assume control of a manufacturing facility in Tijuana, Mexico, and certain property, plant and equipment. Acquired fuel cell systems inventory, prepaid rights to inventory, product lines and intellectual property consist of both direct hydrogen units as well as methanol fuelled units.

As part of the transaction, IdaTech agreed to contract manufacture products for Ballard until the end of the year. The transaction also provided Ballard with an option to assume control of IdaTech's contract manufacturing facility in Tijuana, Mexico, which Ballard exercised as of January 2013.

Ballard filed the agreement on SEDAR on August 2, 2012 as an attachment to the Material Change Report in respect of the IdaTech asset acquisition.

Superior Plus Transaction and Associated Material Contracts

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

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

Indemnification Arrangements

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

(a) any debts, liabilities, commitments or obligations of any nature (whether matured or unmatured, accrued, fixed, contingent or otherwise) of any kind whatsoever resulting from any matters, actions, events, facts or

circumstances related to the activities, affairs or business of Ballard which occurred prior to the Effective Time (as defined in the Indemnity Agreement);

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

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

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

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

The Indemnity Agreement also provides for certain compensation payments to be made by Ballard and Superior Plus depending on the final determination of the amount of certain Tax Losses (as defined in the Indemnity Agreement) of Ballard to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement Agreement was executed or to the extent that such Tax Pools are used to

reduce Ballard's income, taxable income, or income taxes for any period ending at any time at or before the completion of the Arrangement. Ballard's obligations under the Indemnity Agreement relating to NCL Obligations (as defined in the Indemnity Agreement) are limited to an aggregate of C$7,350,000 with a threshold amount of C$500,000 before there is an obligation to make a compensation payment.

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

RISK FACTORS

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and the other information contained in, and incorporated into, this Annual Information Form, including "Management's Discussion and Analysis" and our financial statements for the year ended December 31, 2013. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business.

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

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

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

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

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

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

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

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

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

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

contemplated in our business plan. Depending on the financing requirements of a potential acquisition or new product opportunity, we may be required to raise additional capital through the issuance of equity or debt. If we are unable to raise additional capital on acceptable terms, we may be unable to pursue a potential acquisition or new product opportunity.

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

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

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

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

could have a material adverse effect on our liquidity and financial condition if our major customer declared bankruptcy or delayed payment of their receivables.

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

To date, we have limited experience manufacturing fuel cell products on a commercial basis. We cannot be sure that we will be able to develop efficient, low-cost, high-volume automated processes that will enable us to meet our cost goals and profitability projections. While we currently have sufficient production capacity to fulfill customer orders in the near-term, we expect that we will increase our production capacity based on market demand. We cannot be sure that we will be able to achieve any planned increases in production capacity or that unforeseen problems relating to our manufacturing processes will not occur. Even if we are successful in developing high-volume automated processes and achieving planned increases in production capacity, we cannot be sure that we will do so in time to meet our product commercialization schedule or to satisfy customer demand. If our business does not grow as quickly as anticipated, our existing and planned manufacturing facilities would, in part, represent excess capacity for which we may not recover the cost, in which case our revenues may be inadequate to support our committed costs and planned growth, and our gross margins and business strategy would be adversely affected. Any of these factors could have a material adverse effect on our business, results of operations and financial performance.

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

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

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

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

materially and adversely impact the trading price of our common shares, and restrict our ability to secure required funding to pursue our commercialization plans.

We could be adversely affected by risks associated with acquisitions.

We may in future, seek to expand our business through acquisitions. Any such acquisitions will be in part dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Acquisitions involve a number of risks, including: (i) the possibility that we, as successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that we may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and personnel of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retrain and motivate key personnel of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

We are subject to risks inherent in international operations.

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

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

We report our financial results in United States dollars. Our operating expenditures are particularly affected by fluctuations in the exchange rate between the Canadian dollar and the United States dollar. We generate the majority of our revenues in United States dollars while the majority of our operating expenditures are incurred in

Canadian dollars. As a result, any increase in the value of the Canadian dollar, relative to the United States dollar, increases the amount of reported operating expenditures without a corresponding increase in revenues. Exchange rate fluctuations are beyond our control, and the Canadian dollar may appreciate against the United States dollar in the future, which would result in higher operating expenditures and lower net income. In order to reduce the potential negative effect of a strengthening Canadian dollar, we occasionally enter into various hedging programs. However, if the Canadian dollar increases in value, it will negatively affect our financial results and our competitive position compared to other fuel cell product manufacturers in jurisdictions where operating costs are lower.

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

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

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

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

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

We have established relationships with third party suppliers, on whom we rely to provide materials and components for our products. A supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meet our quality, quantity or cost requirements, or our inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to us, could harm our ability to manufacture our products. In addition, to the extent

that our product development plans rely on development of supplied materials or components, we cannot guarantee that we will be able to leverage our relationships with suppliers to support these plans. To the extent that the processes that our suppliers use to manufacture the materials and components are proprietary, we may be unable to obtain comparable materials or components from alternative suppliers, which could adversely affect our ability to produce viable fuel cell products or significantly raise our cost of producing such products.

We currently face and will continue to face significant competition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our products use flammable fuels and some generate high voltages, which could subject our business to product liability claims.

Our business exposes us to potential product liability claims that are inherent in electrical products, and in products that use hydrogen or hydrogen-rich reformate fuels. High-voltage electricity poses potential shock hazards, and hydrogen is a flammable

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

ADDITIONAL INFORMATION

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

Copies of this Annual Information Form and the documents incorporated by reference herein, our comparative financial statements (including the auditors' report) for the year ended December 31, 2013, each interim financial statement issued after December 31, 2013, our management proxy circular and our Annual Report may be obtained upon request from our Corporate Secretary, 9000 Glenlyon Parkway, Burnaby, British Columbia, V5J 5J8, or on our website at www.ballard.com.

APPENDIX "A" AUDIT COMMITTEE MANDATE

Purpose

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

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

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

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

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

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

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

external auditors, and determining the appropriate level of remuneration for the external auditors. The external auditors will report directly to the Audit Committee;

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

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

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

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

Composition and Eligibility

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

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

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

D) At least one member of the Committee must be an audit committee "financial expert" as defined by the applicable rules set out by the U.S. Securities and

Exchange Commission (the "SEC") or any other regulatory authority. The financial expert must have all of the following five attributes:

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

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

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

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

(v) an understanding of audit committee functions.

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

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

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

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

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

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

Meetings

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

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

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

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

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

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

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

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

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

J) A majority of Committee members constitute a quorum.

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

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

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

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

Duties and Responsibilities

A) Investigations

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

B) Financial Reporting Control Systems

The Committee will:

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

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

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

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

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

(v) review the appointment of the financial senior executives of the Corporation, prior to recommendation by the Corporate Governance & Compensation Committee ("CGCC") to the board;

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

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

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

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

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

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

C) Interim Financial Statements

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

D) Annual Financial Statements and Other Financial Information

The Committee will:

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

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

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

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

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

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

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

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

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

E) Relationship with External Auditors

The Committee will:

(i) recommend the appointment of the external auditors (for approval by the shareholders at the Corporation's annual meeting of shareholders); if there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition. The external auditors will

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

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

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

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

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

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

a) bookkeeping services;

b) financial information systems design and implementation;

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

d) actuarial services;

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

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

g) management and human resources services;

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

i) any other services that the Public Company Accounting Oversight Board or the Canadian Public Accountability Board determines by

regulation, or the Corporation's board of directors determines, to be impermissible.

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

(viii) review performance against audit proposal plan;

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

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

a) all critical accounting policies and practices;

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

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

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

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

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

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

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

F) Treasury

The Committee will:

(i) review and approve the Treasury Policy;

(ii) review the quarterly Treasury Report;

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

(iv) review and approve any commodities hedging policy.

G) Independence of External Auditors

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

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

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

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

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

H) Internal Audit and Controls

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

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

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

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

I) Related Party Transactions

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

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

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

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

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

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

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

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

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

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

(ix) recommend any revisions to the structure of the related party transaction that the Committee considers to be necessary or advisable;

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

(xi) if approval of the board of directors is necessary, provide a recommendation to the board of directors with respect to the related party transaction; and

(xii) review a summary of completed related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the committee.

As part of its review of all related party transactions, the Committee will review all modifications to existing loans and advances to the Corporation's executive officers or directors.

J) Other

The Committee will:

(i) perform an annual review of management's compliance with the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy;

(ii) perform an annual review of the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy, with any recommended changes being forwarded to the board for approval;

(iii) perform an annual review of the succession plans for the Corporation's CFO and Controller;

(iv) perform an annual review of this Committee mandate, with any recommended changes being forwarded to the CGCC and ultimately the board for approval; and

(v) annually review the audit of the expense reports of the Chair of the Board of Directors and the CEO.

K) Performance Evaluation

The Committee will perform an annual evaluation of its performance, having regard to the issues reviewed during the year.

COMMITTEE TIMETABLE

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

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A)	***Financial Reporting Control Systems***												
(i)	Review with management any significant changes in financial risks facing the Corporation.		ü		ü			ü			ü		
(ii)	Review with management procedures followed with respect to disclosure controls and procedures.		ü		ü			ü			ü		
(iii)	Review the management letter from the external auditor and corporation's responses to suggestions made.				ü								
(iv)	Annually review the Committee mandate.		ü										
(v)	Review specific matters as required affecting financial reporting such as insurance coverage, the status of the Corporation's tax loss carry-forwards, pension and health care liabilities, and off balance sheet transactions.										ü		
(vi)	Review the appointment of the financial senior executives of the Corporation.		ü		ü			ü			ü		
(vii)	Establish and maintain a set of procedures for the receipt, retention and treatment of complaints received by the Corporation concerning accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and review submissions as received.		ü		ü			ü			ü		
(viii)	Discuss and consider policies with respect to risk assessment and risk management.												ü
(ix)	Meet separately and periodically, no less than annually, with management, with internal auditors (or persons responsible for the internal audit function) and with independent auditors.		ü		ü			ü			ü		

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
B)	***Interim Financial Statements***												
(i)	Review and approval of interim financial statements and MD&A.				ü			ü			ü		
C)	***Annual Financial Statements and Other Financial Information***												
(i)	Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements.		ü		ü			ü			ü		
(ii)	Obtain summaries of significant transactions, and other complex matters whose treatment in the annual financial statements merits advance consideration.		ü		ü			ü			ü		
(iii)	Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by the Corporation's officers.		ü										
(iv)	Review summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments.		ü		ü			ü			ü		
(v)	Discuss the annual financial statements, MD&A and the auditors' report thereon in detail with the Corporation's officers and the external auditors.		ü										
(vi)	Review and recommend to the board of directors approval of all financial disclosure contained in prospectuses, annual information forms, management proxy circulars and other similar documents.		ü										
(vii)	Before the release of each quarterly report and annual financial statements, discuss with the external auditors all matters required by SAS 61 and Handbook section 5751.		ü		ü			ü			ü		
(viii)	Provide the board with a recommendation for approval of the annual financial statements.		ü										
(ix)	Discuss earnings press releases and earnings guidance as well as the release of significant new financial information.		ü		ü			ü			ü		
D)	***Relationship with External Auditors***												
(i)	Annually appoint (subject to shareholder approval) external auditor.		ü										

Committee Timetable													
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(ii) Annually review and approve terms of engagement and determine remuneration of external auditor.										ü		
(iii) Review representation letters given by management to external auditor.		ü		ü					ü	ü		
(iv) Monitor the external auditor's qualifications and independence through the activities listed in Section F.		ü										
(v) Review the audit plan with the external auditors and approve all substantive audit services in advance.										ü		
(vi) Approve permissible non-audit services in advance.		ü		ü					ü			
(vii) Review all fees paid to external auditors.		ü		ü					ü	ü		
(viii) Review performance against audit proposal plan.		ü										
(ix) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.		ü		ü					ü	ü		
(x) Receive a report from the external auditor with respect to:												
(a) all critical accounting policies and practices;		ü										
(b) all alternative treatments of financial information within GAAP that have been discussed with management, implications of their use and the external auditors' "preferred treatment";		ü										
(c) any other material written communications between the auditor and management;		ü										
(d) the internal quality-control procedures of the external auditors;		ü										
(e) any material issues raised by the most recent internal quality-control review of the external auditors' firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such firm, and any steps taken to deal with any such issues; and		ü										
(f) all relationships between the external auditors and the Corporation, as detailed in §(i) under Section F – Independence of External Auditors.		ü										

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(xi)	Resolve all disagreements between management and the external auditors regarding financial reporting				ü					ü	ü		
(xii)	Ensure that the audit partners representing the external auditors meet the rotation requirements set out by the U.S. Securities and Exchange Commission and by any other applicable Canadian or U.S. securities regulatory authority or stock exchange.										ü		
E)	***Treasury***												
(i)	Review and approve the Treasury Policy.				ü								
(ii)	Review the Quarterly Treasury Report.		ü		ü					ü	ü		
(iii)	Review and approve the Foreign Exchange Policy.				ü								
F)	***Independence of External Auditors***												
(i)	Receive from the external auditors, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation consistent with ISB No. 1.		ü										
(ii)	Review and actively discuss with the Board of Directors, if necessary, and the external auditors, on a periodic basis, any disclosed relationships or services between the external auditors and the Corporation or any other disclosed relationships or services that may impact the objectivity and independence of the external auditors.		ü										
(iii)	Recommend, if necessary, that the Board take action to satisfy itself, of the external auditors' independence.		ü										
(iv)	Ensure that the Corporation does not hire as the Corporation's CEO, CFO, Controller or chief accounting officer any person who was employed by the Corporation's external auditors and who participated in any capacity in the audit of the Corporation during the one-year period preceding the initiation of the current audit		ü		ü					ü	ü		
G)	***Internal Audit and Controls***												
(i)	Ensure that the Corporation has appropriate systems of internal control.		ü		ü			ü			ü		

Committee Timetable													
Agenda Items		**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(ii)	Review quarterly the internal auditors' report on the adequacy of the internal controls, policies and procedures.		ü		ü			ü			ü		
(iii)	Annually review and approve internal audit plan				ü								
H)	***Related Party Transactions***												
(i)	Review and approve the Corporation's related party transactions over US$60,000.		ü		ü			ü			ü		ü
(ii)	Review a summary of the Corporation's related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the Committee.		ü		ü			ü			ü		ü
I)	***Other***												
(i)	Annually review management's compliance with the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy.												ü
(ii)	Annually review the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy, with any recommended changes being forwarded to the board for approval												ü
(iii)	Annually review the succession plans for the Corporation's CFO and Controller.												ü
(iv)	Annually review the audit of expense reports of the Chair of the Board of Directors and the CEO.				ü								
J)	***Performance Evaluation***												
(i)	Review annual evaluation of the Committee's performance.		ü										

EXHIBIT 99.4

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

I, **John W. Sheridan,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 26, 2014

By: /s/ John W. Sheridan
Name: John W. Sheridan
President and Chief Executive Officer

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

I, **Tony Guglielmin,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 26, 2014

By: /s/ Tony Guglielmin
Name: Tony Guglielmin
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.5

Section 906 Certification

Certification Pursuant to
18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Ballard Power Systems Inc., a corporation organized under the laws of Canada (the "Company"), for the period ending December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: February 26, 2014 /s/ John W. Sheridan
John W. Sheridan
President and Chief Executive Officer (principal executive officer)

Dated: February 26, 2014 /s/ Tony Guglielmin
Tony Guglielmin
Vice President and Chief Financial Officer (principal financial officer)

EXHIBIT 99.6



KPMG LLP
Chartered Accountants
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Canada

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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 use of our reports, each dated February 25, 2014,with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

We also consent to the incorporation by reference of each of the above reports into the Company's Registration Statements (No. 333-156553 and 333-161807 on Form S-8 and No. 333-180579 on Form F-10, as amended) of Ballard Power Systems Inc.

/s/ KPMG LLP

Chartered Accountants

Vancouver, Canada
February 26, 2014

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