U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

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

For the fiscal year ended: **December 31, 2015** Commission File Number: **000-53543**

Ballard Power Systems Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

Title of Each Class:	Name of Each Exchange On Which Registered:
Common Shares	**NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act: **Not applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **Not applicable**

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

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report: **As of December 31, 2015, there were 156,837,187 common shares outstanding.**

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule. ☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ☐ Yes ☐ No

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- the Registrant's Annual Information Form for the year ended December 31, 2015;
- the Registrant's Audited Consolidated Financial Statements of the Company as at and for the years ended December 31, 2015 and 2014, including the notes thereto, together with the report of the independent auditors thereon; and
- the Registrant's Management's Discussion and Analysis for the year ended December 31, 2015.

EXPLANATORY NOTE

The Company is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") on Form 40-F. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended. Accordingly, the Company's equity securities are exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

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

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

DISCLOSURE CONTROLS AND PROCEDURES

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

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the period covered by this Annual Report, no changes occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended December 31, 2015 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE

The Board has a separately designated standing audit committee (the "Audit Committee") established for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company in accordance with Section 3(a)(58)(A) of the Exchange Act. As of the date of this Annual Report, the Company's Audit Committee is comprised of Ian A. Bourne, Douglas P. Hayhurst, Edwin J. Kilroy, Marty T. Neese, James Roche, Carol M. Stephenson, David B. Sutcliffe and Ian Sutcliffe, each of whom the Board has determined is independent under Rule 10A-3 under the Exchange Act. The related required disclosures are included in the Annual Information Form, under the heading "Audit Committee Matters", which is incorporated herein by reference to Exhibit 99.3. The Registrant's Board of Directors has determined that the Audit Committee has at least one member, Ian A. Bourne, who qualifies as an independent audit committee financial expert under applicable securities regulations.

CODE OF ETHICS

The Registrant has adopted a code of ethics that applies to all members of its Board of Directors, as well as its officers and employees. A copy of the code of ethics is posted on the Registrant's Internet website at www.ballard.com, and is available in print to any person without charge, upon written request to the corporate secretary of the Registrant. No waivers of the code of ethics have been granted to any principal officer of the Registrant or any person performing similar functions during the year ended December 31, 2015.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

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

NASDAQ CORPORATE GOVERNANCE

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

CONSENT TO SERVICE OF PROCESS

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

SIGNATURES

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

BALLARD POWER SYSTEMS INC.

Date: February 25, 2016

By: /s/ Tony Guglielmin

Name: Tony Guglielmin

Title: Vice President and Chief Financial Officer

EXHIBIT INDEX

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

Exhibit	Description
99.1	Ballard Power Systems Inc. Consolidated Financial Statements for the years ended December 31, 2015 and 2014
99.2	Ballard Power Systems Inc. Management's Discussion and Analysis for the year ended December 31, 2015
99.3	Annual Information Form for Ballard Power Systems Inc. dated as of February 25, 2016
99.4	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.6	Consent of KPMG LLP

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

BALLARD POWER SYSTEMS INC.

Years ended December 31, 2015 and 2014

MANAGEMENT'S REPORT

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

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS. Internal control over financial reporting may not prevent or detect fraud or misstatements because of limitations inherent in any system of internal control. Management has assessed the effectiveness of the Corporation's internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2015. 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 Corporation acquired Protonex Technology Corporation ("Protonex") during 2015, and management excludes from its assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2015, Protonex' internal control over financial reporting associated with total assets of $17,802,000 and total revenue of $3,397,000 included in the consolidated financial statements of the Corporation as of and for the year ended December 31, 2015 as Protonex was acquired in the last quarter of 2015.

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

The external auditors, KPMG LLP, have audited the financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of the internal controls over financial reporting as of December 31, 2015. The external auditors have full access to management and the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

"RANDALL MACEWEN"

RANDALL MACEWEN
President and
Chief Executive Officer
February 25, 2016

"TONY GUGLIELMIN"

TONY GUGLIELMIN
Vice President and
Chief Financial Officer
February 25, 2016

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and 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, 2015 and December 31, 2014 and the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of 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, 2015 and December 31, 2014, 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, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Chartered Professional Accountants

February 24, 2016
Vancouver, Canada

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

KPMG Confidential

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PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

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

Report of Independent Registered Public Accounting Firm

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

We have audited Ballard Power Systems Inc.'s ("the Company") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the section entitled "Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting" under the heading "Internal control over financial reporting" included in the Company's Management and Discussion 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.

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

KPMG Confidential

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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company acquired Protonex Technology Corporation during 2015, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, Protonex Technology Corporation's internal control over financial reporting associated with total assets of $17.8 million and total revenues of $3.4 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2015. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Protonex Technology Corporation.

We also have audited, in accordance with Canadian general 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, 2015 and December 31, 2014, and the related consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended and our report dated February 24, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Professional Accountants

February 24, 2016
Vancouver, Canada

BALLARD POWER SYSTEMS INC.

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

	Note	December 31, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		**$ 40,049**	$ 23,671
Trade and other receivables	9	**25,484**	13,146
Inventories	10	**20,369**	12,538
Prepaid expenses and other current assets		**1,672**	1,294
Total current assets		**87,574**	50,649
Non-current assets:			
Property, plant and equipment	11	**16,725**	16,685
Intangible assets	12	**16,329**	24,151
Goodwill	13	**40,562**	36,291
Investments		**6**	6
Other long-term assets		**135**	167
Total assets		**$ 161,331**	$ 127,949
Liabilities and Equity			
Current liabilities:			
Trade and other payables	15	**$ 17,220**	$ 12,556
Deferred revenue and other recoveries		**6,085**	1,798
Provisions	16	**5,368**	9,010
Finance lease liability	17	**1,011**	1,008
Debt to Dantherm Power A/S non-controlling interests	18	**504**	529
Total current liabilities		**30,188**	24,901
Non-current liabilities:			
Finance lease liability	17	**6,723**	9,226
Deferred gain on finance lease	17	**3,829**	4,274
Provisions	16	**3,646**	4,353
Employee future benefits	19	**5,331**	5,961
Total liabilities		**49,717**	48,715
Equity:			
Share capital	20	**948,213**	914,786
Contributed surplus	20	**293,332**	288,533
Accumulated deficit		**(1,127,655)**	(1,121,671)
Foreign currency reserve		**567**	280
Total equity attributable to equity holders		**114,457**	81,928
Dantherm Power A/S non-controlling interests		**(2,843)**	(2,694)
Total equity		**111,614**	79,234
Total liabilities and equity		**$ 161,331**	$ 127,949

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"Ed Kilroy"	"Ian Bourne"
Director	Director

BALLARD POWER SYSTEMS INC.

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

	Note	2015	2014
Revenues:			
Product and service revenues		**$ 56,463**	$ 68,721
Cost of product and service revenues		**46,489**	58,475
Gross margin		**9,974**	10,246
Operating expenses:			
Research and product development		**16,206**	14,294
General and administrative		**10,594**	10,450
Sales and marketing		**7,428**	7,265
Other expense	24	**630**	6,291
Total operating expenses		**34,858**	38,300
Results from operating activities		**(24,884)**	(28,054)
Finance (loss) and other	25	**(305)**	(113)
Finance expense	25	**(794)**	(942)
Net finance expense		**(1,099)**	(1,055)
Gain (loss) on sale of property, plant and equipment		**1**	(73)
Gain on sale of intellectual property	12	**19,619**	-
Impairment loss on investment		**-**	(149)
Loss before income taxes		**(6,363)**	(29,331)
Income tax expense	26	**(211)**	(417)
Net loss from continuing operations		**(6,574)**	(29,748)
Net earnings from discontinued operations	8	**-**	320
Net loss		**(6,574)**	(29,428)
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit plans	19	**168**	(2,863)
		168	(2,863)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**560**	529
		560	529
Other comprehensive income (loss), net of tax		**728**	(2,334)
Total comprehensive loss		**$ (5,846)**	$ (31,762)

See accompanying notes to consolidated financial statements

BALLARD POWER SYSTEMS INC.

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

		2015		2014
Net loss attributable to:				
Ballard Power Systems Inc. from continuing operations	$	**(5,815)**	$	(28,188)
Ballard Power Systems Inc. from discontinued operations		**-**		320
Dantherm Power A/S non-controlling interest		**(759)**		(1,560)
Net loss	**$**	**(6,574)**	$	(29,428)
Total comprehensive loss attributable to:				
Ballard Power Systems Inc.	**$**	**(5,351)**	$	(30,460)
Dantherm Power A/S non-controlling interest		**(495)**		(1,302)
Total comprehensive loss	**$**	**(5,846)**	$	(31,762)
Basic and diluted loss per share attributable to Ballard Power Systems Inc.				
Continuing operations	**$**	**(0.04)**	$	(0.22)
Discontinued operations		**-**		-
Net loss	**$**	**(0.04)**	$	(0.22)
Weighted average number of common shares outstanding		**140,393,579**		127,385,814

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, 2013	110,133,901	$ 866,574	$ (118)	$ 296,368	$ (1,091,187)	$ 9	$ (1,392)	$ 70,254
Net loss	-	-	-	-	(27,868)	-	(1,560)	(29,428)
Acquisition of intangible assets (note 12 and 20)	5,121,507	20,307	-	-	-	-	-	20,307
Warrants exercised (note 20)	7,939,937	12,299	-	-	-	-	-	12,299
Exercise of convertible promissory note (note 20)	4,761,905	4,000	-	(4,000)	-	-	-	-
Sale of treasury shares (note 20)	-	-	118	-	247	-	-	365
RSUs redeemed (note 20)	583,084	866	-	(2,829)	-	-	-	(1,963)
Options exercised (note 20)	3,563,782	10,740	-	(3,946)	-	-	-	6,794
Share distribution plan	-	-	-	2,940	-	-	-	2,940
Other comprehensive income (loss):								
Defined benefit plan actuarial loss	-	-	-	-	(2,863)	-	-	(2,863)
Foreign currency translation for foreign operations	-	-	-	-	-	271	258	529
Balance, December 31, 2014	**132,104,116**	**$ 914,786**	**$ -**	**$ 288,533**	**$ (1,121,671)**	**$ 280**	**$ (2,694)**	**$ 79,234**
Net loss	**-**	**-**	**-**	**-**	**(5,815)**	**-**	**(759)**	**(6,574)**
Non-dilutive financing (note 22)	**-**	**-**	**-**	**3,347**	**-**	**-**	**-**	**3,347**
Net Offering proceeds (note 20)	**9,343,750**	**13,389**	**-**	**-**	**-**	**-**	**-**	**13,389**
Acquisition (note 7)	**11,415,704**	**13,699**	**-**	**-**	**-**	**-**	**-**	**13,699**
Private placement (note 20)	**3,322,479**	**4,987**	**-**	**-**	**-**	**-**	**-**	**4,987**
DSUs redeemed (note 20)	**83,619**	**354**	**-**	**(520)**	**-**	**-**	**-**	**(166)**
RSUs redeemed (note 20)	**119,627**	**203**	**-**	**(345)**	**-**	**-**	**-**	**(142)**
Options exercised (note 20)	**322,892**	**627**	**-**	**(239)**	**-**	**-**	**-**	**388**
Warrants exercised (note 20)	**125,000**	**168**	**-**	**-**	**-**	**-**	**-**	**168**
Share distribution plan	**-**	**-**	**-**	**2,556**	**-**	**-**	**-**	**2,556**
Dantherm power NCI adjustment for cancellation of Azure shares	**-**	**-**	**-**	**-**	**(337)**	**-**	**337**	**-**
Other comprehensive income (loss):								
Defined benefit plan actuarial loss	**-**	**-**	**-**	**-**	**168**	**-**	**-**	**168**
Foreign currency translation for foreign operations	**-**	**-**	**-**	**-**	**-**	**287**	**273**	**560**
Balance, December 31, 2015	**156,837,187**	**$ 948,213**	**$ -**	**$ 293,332**	**$ (1,127,655)**	**$ 567**	**$ (2,843)**	**$ 111,614**

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	2015	2014
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**$ (6,574)**	$ (29,428)
Adjustments for:			
Share-based compensation	20	**2,950**	2,249
Employee future benefits		**278**	182
Employee future benefits plan contributions		**(740)**	(253)
Depreciation and amortization		**4,375**	5,610
Gain on decommissioning liabilities		**(602)**	(282)
Loss (gain) on sale of property, plant and equipment		**(1)**	73
Gain on sale of intellectual property	12	**(19,619)**	-
Reversal of impairment loss on property, plant and equipment	8	**-**	(320)
Impairment loss on trade receivables	24	**456**	6,206
Impairment loss on investment		**-**	149
Unrealized loss on forward contracts		**162**	144
		(19,315)	(15,670)
Changes in non-cash working capital:			
Trade and other receivables		**410**	(4,104)
Inventories		**(5,550)**	1,464
Prepaid expenses and other current assets		**(166)**	(434)
Trade and other payables		**(1,344)**	69
Deferred revenue and other recoveries		**4,213**	(4,356)
Warranty provision		**(3,612)**	2,360
		(6,049)	(5,001)
Cash used by operating activities		**(25,364)**	(20,671)
Investing activities:			
Additions to property, plant and equipment		**(2,282)**	(829)
Net proceeds on sale of property, plant and equipment and other		**1**	-
Additions to and acquisition of intangible assets	12	**(1,604)**	(3,411)
Net proceeds on sale of intangible assets	12	**29,475**	-
Cash and cash equivalents acquired on acquisition of Protonex	7	**1,464**	-
Acquisition of Protonex	7	**(3,772)**	-
Cash provided by (used in) investing activities		**23,282**	(4,240)
Financing activities:			
Proceeds on sale of treasury shares		**-**	365
Net payment of finance lease liabilities		**(845)**	(923)
Net proceeds on issuance of share capital from underwritten Offering	20	**13,389**	-
Net proceeds on issuance of share capital from private placement	20	**4,987**	-
Net proceeds on issuance of share capital from stock option exercises	20	**388**	6,794
Net proceeds on issuance of share capital from warrant exercises	20	**168**	12,299
Cash provided by financing activities		**18,087**	18,535
Effect of exchange rate fluctuations on cash and cash equivalents held		**373**	(254)
Increase (decrease) in cash and cash equivalents		**16,378**	(6,630)
Cash and cash equivalents, beginning of year		**23,671**	30,301
Cash and cash equivalents, end of year		**$ 40,049**	$ 23,671

Supplemental disclosure of cash flow information (note 28)
See accompanying notes to consolidated financial statements

1. Reporting entity:

The principal business of Ballard Power Systems Inc. (the "Corporation") is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Telecom Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of the Corporation's extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications. A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity.

The Corporation 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, 2015 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 24, 2016.

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

(e) Future operations:

The Corporation is required to assess its ability to continue as a going concern and whether substantial doubt exists as to the Corporation's ability to continue as a going concern into the foreseeable future. The Corporation has forecast its cash flows 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 for the foreseeable future. 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 ultimately dependent upon the Corporation having adequate liquidity and achieving profitable operations that are sustainable. There are various risks and uncertainties affecting the Corporation including, but not limited to, the market acceptance and rate of commercialization of the Corporation's products, the ability of the Corporation to successfully execute its business plan, and general global economic conditions, certain of which are beyond the Corporation's control.

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

3. Changes in accounting policies:

The Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements. The Corporation did not adopt any new accounting standard changes or amendments effective January 1, 2015 that had a material impact on these consolidated financial statements.

4. Significant accounting policies:

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

(a) Basis of consolidation:

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

	Percentage ownership	
	2015	2014
Ballard Fuel Cell Systems Inc.	100%	100%
Ballard Power Corporation	100%	100%
Ballard Services Inc.	100%	100%
Dantherm Power A/S	57%	51.3%
Protonex Technology Corporation	100%	-

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

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

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%. On June 8, 2015, the Corporation agreed to a mutual release with Azure whereby each party mutually released and forever discharged each other from any and all liability arising from the prior year’s licensing agreements. Pursuant to the Azure Mutual Release Agreement, Azure returned its 10% ownership position in Dantherm Power to Dantherm Power for $nil proceeds, upon which the shares were cancelled by Dantherm Power on June 17, 2015.

4. Significant accounting policies (cont'd):

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

Following the Azure Mutual Release Agreement, the Corporation's controlling ownership position in Dantherm Power was increased from 52% to 57%. The remaining 43% 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.

(b) Foreign currency:

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(c) Financial instruments:

(i) Financial assets

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

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(i) Financial assets (cont'd)

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 foreign currency rate fluctuations and platinum price fluctuations. These derivatives are recognized initially at fair value and are recorded as either assets or liabilities based on their fair value. Subsequent to initial recognition, these derivatives are measured at fair value and changes to their value are recorded through 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.

Cash and cash equivalents

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

Available-for-sale financial assets

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

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

(i) Financial assets (cont'd)

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.

(iii) Share capital

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

(iv) Derivative financial instruments, including hedge accounting

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

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

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

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

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

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

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.

4. Significant accounting policies (cont'd):

(c) Financial instruments (cont'd):

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

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

Other non-trading derivatives

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

(d) Inventories:

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

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

(e) Property, plant and equipment:

(i) Recognition and measurement

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

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

4. Significant accounting policies (cont'd):

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

(f) Leases:

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

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

4. Significant accounting policies (cont'd):

(f) Leases (cont'd):

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

(g) Goodwill and intangible assets:

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

4. Significant accounting policies (cont'd):

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

(iii) Amortization (cont'd)

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

(h) Impairment:

(i) Financial assets

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

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

(ii) Non-financial assets

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

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

4. Significant accounting policies (cont'd):

(h) Impairment (cont'd):

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

The allocation of goodwill to cash-generating units reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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

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

(i) Provisions:

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

Warranty provision

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

Decommissioning liabilities

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

4. Significant accounting policies (cont'd):

(j) Revenue recognition:

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

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

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

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

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

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

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

4. Significant accounting policies (cont'd):

(k) Finance income and expense:

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

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

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

(l) Income taxes:

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

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

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

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

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

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:

Critical judgments in applying accounting policies:

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

Key sources of estimation uncertainty:

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

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

(a) Revenue recognition:

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

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

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

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

(b) Asset impairment:

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

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

(b) Asset impairment (cont'd):

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

(c) Warranty provision:

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

(d) Inventory provision:

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

If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

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

(e) Impairment loss (recoveries) on trade receivables:

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

(f) Employee future benefits:

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

(g) Income taxes:

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

6. Recent accounting pronouncements and future accounting policy changes:

The Corporation did not adopt any new accounting standard changes or amendments in 2015 that had a material impact on the Corporation's financial statements.

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

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

(a) IFRS 11 (Amendments) – *Business Combination Accounting for Interests in a Joint Operation*

On May 6, 2014, the IASB issued amendments to *IFRS 11 Accounting for Acquisitions of Interests in Joint Operations* . The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt the amendments to IFRS 11 in its financial statements for the fiscal year beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

(b) IAS 16 and IAS 38 (Amendments) – *Methods of Depreciation and Amortization*

On May 12, 2014, the IASB issued amendments to *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets*. The amendment made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the fiscal year beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

(c) *Annual Improvements to IFRS (2012 – 2014) Cycle*

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* ;
- "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under *IFRS 7 Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under *IAS 19 Employee Benefits*; and
- Disclosure of information "elsewhere in the interim financial report" under *IAS 34 Interim Financial Reporting*;

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

(c) *Annual Improvements to IFRS (2012 – 2014) Cycle (cont'd)*

The amendments will apply for annual periods beginning on or after January 1, 2016. Each of the amendments has its own specific transition requirements. The Corporation intends to adopt the amendments in its financial statements for the fiscal year beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

(d) IAS 1 (Amendments) – *Disclosure Initiative*

On December 18, 2014, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the fiscal year beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

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

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

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

The new standard is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption. The Corporation intends to adopt IFRS 15 in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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

(f) IFRS 9 – *Financial Instruments*

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

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

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

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

(g) IFRS 16 – *Leases*

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

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

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

(g) IFRS 16 – *Leases (cont'd)*

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

7. Acquisition:

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

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

The fair value of purchase consideration is as follows:

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

7. Acquisition (cont'd):

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

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

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

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

7. Acquisition (cont'd):

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

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

The amount of revenue and net loss attributable to Protonex included in the consolidated statement of loss from the acquisition date, through the period ended December 31, 2015 was $3,397,000 and ($652,000), respectively.

The following table presents the unaudited pro forma results for the year ended December 31, 2015. The proforma financial information combines the results of operations of Ballard Power Systems Inc. and Protonex as though the businesses had been combined as of the beginning of fiscal 2015. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2015. The pro forma financial information presented includes amortization charges for acquired tangible and intangible assets, based on the values assigned in the preliminary purchase price allocation.

	December 31, 2015
Proforma Information:	
Revenue	$ 62,535
Loss from operations	(27,315)
Net loss	(9,614)
Basic loss per share (in dollars)	$ (0.06)

Acquisition costs of $1,542,000 were incurred in 2015 as a result of the transaction, and are recognized in other (expense).

8. Discontinued operations – Disposition of Material Products division:

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

In March 2014, the Corporation received additional proceeds of $320,000 payable through a product credit in 2014 and 2015 for fuel cell gas diffusion layers based on 2013 results of the former Material Products division. The additional proceeds payable have been recorded as a reversal of previously recorded impairment losses on property, plant and equipment, and were recorded in net earnings from discontinued operations in 2014. As of March 31, 2015, the additional proceeds had been fully paid through the product credit. The former Material Products division has been classified and accounted for as a discontinued operation.

9. Trade and other receivables:

	December 31, 2015	December 31, 2014
Trade receivables	$ 23,664	$ 11,216
Other	1,820	1,930
	$ 25,484	$ 13,146

10. Inventories:

	December 31, 2015	December 31, 2014
Raw materials and consumables	$ 15,289	$ 10,605
Work-in-progress	739	821
Finished goods	3,388	914
Service inventory	953	198
	$ 20,369	$ 12,538

In 2015, changes in raw materials and consumables, finished goods and work-in-progress recognized as cost of product and service revenues amounted to $17,905,000 (2014 - $22,628,000).

In 2015, the write-down of inventories to net realizable value amounted to $855,000 (2014 - $1,392,000) and the reversal of previously recorded write-downs amounted to $239,000 (2014 - $nil), resulting in a net write-down of $616,000 (2014 - $1,392,000). Write-downs and reversals are included in either cost of product and service revenues, or research and product development expense, depending on the nature of inventory.

11. Property, plant and equipment:

Net carrying amounts	December 31, 2015	December 31, 2014
Building under finance lease	$ 7,443	$ 8,255
Computer equipment	826	443
Furniture and fixtures	229	31
Furniture and fixtures under finance lease	26	90
Leasehold improvements	2,741	2,994
Production and test equipment	4,506	3,381
Production and test equipment under finance lease	954	1,491
	$ 16,725	$ 16,685

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

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

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

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

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

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

Leased assets

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

Impairment loss

There were no impairment losses or reversals of previously recorded impairment losses recognized against property, plant and equipment used for continuing operations in 2015 and 2014. In 2014, a $320,000 reversal of previously recognized impairment losses was recorded against property, plant and equipment used for discontinued operations based on the additional proceeds received from the disposition of the former Material Products division (note 8).

12. Intangible assets:

Net carrying amounts	December 31, 2015	December 31, 2014
Intellectual property acquired from UTC	$ 2,757	$ 22,273
Intellectual property acquired from Idatech, LLC	914	1,491
Intellectual property acquired from H2 Logic A/S	301	387
Intellectual property acquired from Protonex (note 7)	10,975	-
Internally generated intellectual assets	1,382	-
	$ 16,329	$ 24,151

Intangible assets Balance	Cost	Accumulated amortization	Net carrying amount
At January 1, 2014	$ 46,329	$ 43,613	$ 2,716
Additions to and acquisition of intangible assets	23,718	-	23,718
Amortization expense	-	2,283	(2,283)
Disposals	(519)	(519)	-
At December 31, 2014	69,528	45,377	24,151
Additions to and acquisition of intangible assets	12,742	-	12,742
Amortization expense	-	1,464	(1,464)
Disposals	(20,202)	(1,102)	(19,100)
At December 31, 2015	$ 62,068	$ 45,739	$ 16,329

Amortization expense on intangible assets is allocated to research and product development expense. In 2015, amortization of $1,464,000 (2014 - $2,283,000) was recorded. There were no impairment losses recorded in 2015 and 2014.

Sale of Intellectual Property to Volkswagen

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

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

12. Intangible assets (cont'd):

(ii) On December 2, 2015, the Corporation sold a copy of the automotive-related know-how of the UTC Portfolio for consideration receivable of $10,000,000. This has been recorded in accounts receivable at December 31, 2015. This receipt triggered a 9%, or $900,000, payable to UTC. On the closing of the sale of a copy of the know-how, the Corporation retained full ownership of the know-how, including the right to sell additional copies of the know-how to third parties as well as retaining the right to use the know-how in all of the Corporation's applications.

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

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

On the closing of the sale of a copy of the automotive-related know-how on December 2, 2015, the Corporation recognized a gain on sale of intellectual property of $5,424,000 on net receivable proceeds of $9,244,000.

Gross proceeds	$ 10,000
Less: License fee	(900)
Disposition recovery (costs)	144
Net proceeds	9,244
Less: Net book value of disposed intellectual property	(3,820)
Gain on sale of intellectual property	$ 5,424

The net book value of disposed intellectual property related to the two transactions of $19,100,000 represents the decline in value of the underlying UTC intellectual property assets as Ballard is no longer able to effectively monetize the automotive intellectual property assets through future intellectual property licensing and royalty transactions.

UTC Intellectual Property Acquisition

On April 24, 2014, the Corporation acquired the UTC Portfolio for total consideration of $22,307,000. The acquired UTC Portfolio assets consist of approximately 800 patents and patent applications, as well as patent licenses, invention disclosures and know-how primarily related to PEM fuel cell technology.

12. Intangible assets (cont'd):

As consideration for the UTC Portfolio, UTC received 5,121,507 of the Corporation's common shares valued at $20,307,000, $2,000,000 in cash, a grant back license to use the patent portfolio in UTC's existing businesses, and a portion of royalties, typically 25%, on the Corporation's future intellectual property sale or licensing income generated from the combined intellectual property portfolio for a period of 15 years to April 2029. Since the acquisition, an additional $209,000 (2014 - $981,000) has been incurred to prepare the intellectual property for use, which has been capitalized.

Internally Generated Intangible Assets

In 2015, the Corporation commenced development of two new configurations of its fuel cell module for heavy-duty motive applications. The two new product configurations are expected to deliver net power of 30kW and 60kW, respectively, in addition to ongoing development of its 90kW application. The Corporation has assessed its development expenditure on these product configurations to be internally generated intangible assets. During 2015, total development expenditures of $1,395,000 have been capitalized at cost. The estimated useful life has been assessed as five years. In 2015, amortization of $13,000 (2014 - $nil) was recorded on these assets.

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

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 29).

Fuel Cell Products and Services

As of December 31, 2015, the aggregate carrying amount of the Corporation's goodwill is $40,562,000 (2014 - $36,291,000).

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

13. Goodwill (cont'd):

The Corporation's fair value test is in effect a modified market capitalization assessment, whereby the fair value of the Fuel Cell Products and Services segment is determined by first calculating the value of the Corporation at December 31, 2015 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 as of December 31, 2015.

In addition to the fair value test, the Corporation also performed a value in use test on the Fuel Cell Products and Services segment, comparing the carrying value of the segment to the present value of future cash flows expected to be derived from the segment. The principal factors used in the discounted cash flow analysis requiring significant estimation are the projected results of operations, the discount rate based on the weighted average cost of capital ("WACC"), and terminal value assumptions. The Corporation's value in use test was based on a WACC of 15%; an average estimated compound annual growth rate of approximately 27% from 2016 to 2021; and a terminal year earnings before interest, taxes, depreciation and amortization ("EBITDA") multiplied by a terminal value multiplier of 10. The value in use assessment resulted in an estimated fair value for the Fuel Cell Products and Services segment that is consistent with that determined under the fair value, less costs to sell, assessment.

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 2015.

14. Bank facilities:

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

Bank Operating Line

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

There was no activity under the Bank Operating Line in 2015, and there were no outstanding amounts payable on the Bank Operating Line as of December 31, 2015 and 2014.

14. Bank facilities (cont'd):

Leasing Facility

The Corporation also has a CDN $1,830,770 capital leasing facility ("Leasing Facility") which can be utilized to finance the acquisition and lease of operating equipment (notes 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, 2015, $510,000 (2014 - $1,061,000) was outstanding on the Leasing Facility which is included in the finance lease liability (note 17). The remaining $7,224,000 finance lease liability relates to the lease of the Corporation's head office building.

Forward Contract Facility

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

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

At December 31, 2015, the Corporation had outstanding foreign exchange currency contracts to purchase a total of CDN $10,750,000 at an average rate of 1.33 CDN per U.S. dollar, resulting in an unrealized loss of $392,000 at December 31, 2015. The outstanding foreign exchange currency contracts are not qualified under hedge accounting. The Corporation did not have any outstanding foreign exchange currency contracts at December 31, 2014.

15. Trade and other payables:

	December 31, 2015	December 31, 2014
Trade accounts payable	$ 9,030	$ 6,031
Compensation payable	4,137	2,948
Other liabilities	3,641	3,260
Taxes payable	412	317
	$ 17,220	$ 12,556

16. Provisions:

Balance	Restructuring	Warranty provision	Decommissioning liabilities	Total
At January 1, 2014	$ 237	$ 6,582	$ 4,857	$ 11,676
Provisions made during the year	78	6,258	129	6,465
Provisions used during the year	(226)	(1,562)	-	(1,788)
Provisions reversed during the year	-	(1,843)	(222)	(2,065)
Effect of movements in exchange rates	(11)	(503)	(411)	(925)
At December 31, 2014	78	8,932	4,353	13,363
Provisions acquired through acquisition	-	47	-	47
Provisions made during the year	-	1,171	110	1,281
Provisions used during the year	(47)	(2,473)	-	(2,520)
Provisions reversed during the year	(24)	(1,620)	(104)	(1,748)
Effect of movements in exchange rates	-	(696)	(713)	(1,409)
At December 31, 2015	$ 7	$ 5,361	$ 3,646	$ 9,014

Current	$ 7	$ 5,361	$ -	$ 5,368
Non-current	-	-	3,646	3,646
	$ 7	$ 5,361	$ 3,646	$ 9,014

Restructuring

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

Warranty provision

During 2015, the Corporation acquired $47,000 of warranty provisions through business combinations (2014 – $nil). It also recorded $1,171,000 of warranty provisions (2014 - $6,258,000) of which $890,000 related to new product sales (2014 - $1,020,000) and $281,000 related to upward warranty adjustments (2014 - $5,238,000). This was offset by warranty expenditures of $2,473,000 (2014 - $1,562,000) and downward warranty adjustments of $1,620,000 (2014 - $1,843,000), due primarily to contractual expirations and changes in estimated and actual costs to repair. The remaining $696,000 reduction to the warranty provision related to the effect of movements in exchange rates (2014 – $503,000).

Decommissioning liabilities

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

16. Provisions (cont'd):

Decommissioning liabilities (cont'd)

Due to the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The Corporation has determined a range of reasonably possible outcomes of the total costs for the head office building and manufacturing facility. In determining the fair value of the decommissioning liabilities, the estimated future cash flows have been discounted at 2.15% per annum (2014 – 2.0%).

The Corporation performed an assessment of the estimated cash flows required to settle the obligations for the two buildings as of December 31, 2015. Based on the assessment, a $104,000 (2014 - $222,000) reduction of the provision was recorded against decommissioning liabilities, which was offset in part by accretion costs of $110,000 (2014 - $129,000). The total undiscounted amount of the estimated cash flows required to settle the obligation for one of the buildings is $1,606,000 (2014 - $1,979,000) which is expected to be settled at the end of the lease term in 2025. The total undiscounted amount of the estimated cash flows required to settle the obligation for the second building is $2,639,000 (2014 - $3,226,000), which is expected to be settled at the end of the operating lease term of 2019. The net discounted amount of estimated cash flows required to settle the obligations for both buildings is $3,646,000 as at December 31, 2015 (2014 - $4,353,000).

17. Finance lease liability:

The Corporation leases certain assets under finance lease agreements (note 17). The finance leases have imputed interest rates ranging from 3.00% to 7.35% per annum and expire between June 2016 and February 2025.

Finance lease liabilities are payable as follows:

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

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

17. Finance lease liability (cont'd):

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

Current	$ 1,008
Non-current	9,226
	$ 10,234

At December 31, 2015, $510,000 (2014 - $1,061,000) was outstanding on the Leasing Facility which is included in the finance lease liability. The remaining $7,224,000 (2014- $9,173,000) finance lease liability relates to the lease of the Corporation's head office building.

Deferred gains were also recorded on closing of the finance lease agreements and are amortized over the finance lease term. At December 31, 2015, the outstanding deferred gain was $3,829,000 (2014 – $4,274,000).

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

Dantherm Power has received financing from its non-controlling partner in the form of a 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 ($433,000) from the non-controlling partner, Dantherm A/S. Interest is accrued at 6% and the facility matures on December 31, 2016. At December 31, 2015, the total principal and interest outstanding on the revolving credit facility was $504,000 (2014 – $529,000).

19. Employee future benefits:

	December 31, 2015	December 31, 2014
Net defined benefit pension plan liability	$ 5,116	$ 5,701
Net other post-retirement benefit plan liability	215	260
Employee future benefits	$ 5,331	$ 5,961

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

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

19. Employee future benefits (cont'd):

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, 2015. The next actuarial valuation of the employee future benefit plans for funding purposes is expected to be performed as of January 1, 2016.

The Corporation expects contributions of approximately $750,000 to be paid to its defined benefit plans in 2016.

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Defined benefit pension plan	**2015**	2014	**2015**	2014	**2015**	2014
Balance at January 1	**$ 16,167**	$ 13,703	**$ (10,466)**	$ (10,667)	**$ 5,701**	$ 3,036
Included in profit or loss						
Current service cost	**58**	38	**-**	-	**58**	38
Interest cost (income)	**663**	654	**(438)**	(512)	**225**	142
Benefits payable	**-**	-	**-**	-	**-**	-
	721	692	**(438)**	(512)	**283**	180
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**(212)**	830	**-**	-	**(212)**	830
Financial assumptions	**(620)**	1,462	**-**	-	**(620)**	1,462
Experience adjustment	**116**	108	**-**	-	**116**	108
Return on plan assets excluding interest income	**-**	-	**588**	325	**588**	325
Plan expenses	**(40)**	(57)	**40**	57	**-**	-
	(756)	2,343	**628**	382	**(128)**	2,725
Other						
Contributions paid by the employer	**-**	-	**(740)**	(240)	**(740)**	(240)
Benefits paid	**(553)**	(571)	**553**	571	**-**	-
	(553)	(571)	**(187)**	331	**(740)**	(240)
Balance at December 31	**$ 15,579**	$ 16,167	**$ (10,463)**	$ (10,466)	**$ 5,116**	$ 5,701

19. Employee future benefits (cont'd):

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Other post-retirement benefit plan	**2015**	2014	**2015**	2014	**2015**	2014
Balance at January 1	**$ 260**	$ 133	**$ -**	$ -	**$ 260**	$ 133
Included in profit or loss						
Interest cost (income)	**8**	2	**-**	-	**8**	2
	8	2	**-**	-	**8**	2
Included in other comprehensive income						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**(25)**	144	**-**	-	**(25)**	$ 144
Experience adjustment	**(15)**	(6)	**-**	-	**(15)**	(6)
	(40)	138	**-**	-	**$ (40)**	138
Other						
Contributions paid by the employer	**-**	-	**(13)**	(13)	**(13)**	(13)
Benefits paid	**(13)**	(13)	**13**	13	**-**	-
	(13)	(13)	**-**	-	**(13)**	(13)
Balance at December 31	**$ 215**	$ 260	**$ -**	$ -	**$ 215**	$ 260

Pension plan assets comprise:

	2015	2014
Cash and cash equivalents	1%	1%
Equity securities	62%	22%
Debt securities	37%	77%
Total	100%	100%

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

	2015		2014	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.44%	3.89%	4.18%	3.53%
Rate of compensation increase	n/a	n/a	n/a	n/a

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

	2015		2014	
	Pension plan	Other benefit plan	Pension plan	Other benefit plan
Discount rate	4.18%	3.53%	4.87%	2.03%
Rate of compensation increase	n/a	n/a	n/a	n/a

19. Employee future benefits (cont'd):

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

	2015	2014
Initial medical health care cost trend rate	7.5%	7.0%
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	2020	2018
Year that the dental rate reaches the rate it is assumed to remain at	2015	2013

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

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.

Offering:

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

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

Acquisition:

On October 1, 2015, the Corporation completed the acquisition of Protonex (note 7). On closing of the transaction, the Corporation assumed and paid certain of Protonex' debt obligations and transaction costs of $3,772,000, and issued 11,415,704 shares at fair value of $1.20 per share, or $13,699,000.

Private placement:

On November 10, 2015, the Corporation closed a private placement strategic equity investment with Nisshinbo Holdings Inc. ("Nisshinbo") of 3,322,479 common shares issued from treasury at $1.5049 per share for gross proceeds of $5,000,000.

20. Equity (cont'd):

Gross Nisshinbo Offering proceeds (3,322,479 shares at $1.5049 per share)	$ 5,000
Less: Legal expenses	(13)
Net Nisshinbo Offering proceeds	$ 4,987

Acquisition of intangible assets:

On April 24, 2014, the Corporation issued 5,121,507 of its common shares valued at $20,306,775 to UTC as part of the consideration for acquired intellectual property assets (note 12).

At December 31, 2015, 156,837,187 common shares were issued and outstanding (2014 – 132,104,116).

(b) Share purchase warrants:

Warrants Outstanding	Exercise price of $1.50	Exercise price of $2.00	Total Warrants
At January 1, 2014	7,275,000	2,587,500	9,862,500
Warrants exercised in 2014	(7,027,437)	(912,500)	(7,939,937)
At December 31, 2014	247,563	1,675,000	1,922,563
Warrants exercised in 2015	(125,000)	-	(125,000)
At December 31, 2015	122,563	1,675,000	1,797,563

During 2015, 125,000 warrants were exercised for an equal amount of common shares for net proceeds of $168,000. During 2014, 7,939,937 warrants were exercised for an equal amount of common shares for net proceeds of $12,299,000.

At December 31, 2015, 1,797,563 share purchase warrants were issued and outstanding (2014 – 1,922,563).

(c) Convertible promissory note:

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

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

20. Equity (cont'd):

(d) Share options:

The Corporation has options outstanding under a consolidated share option plan. All directors, officers and employees of the Corporation, and its subsidiaries, are eligible to participate in the share option plans although as a matter of policy, options are currently not issued to directors. Option exercise prices are denominated in both Canadian and U.S. dollars, depending on the residency of the recipient. Canadian dollar denominated options have been converted to U.S. dollars using the year-end exchange rate for presentation purposes.

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

Balance	Options for common shares	Weighted average exercise price
At January 1, 2014	6,972,102	$ 2.54
Options granted	1,417,507	3.25
Options exercised	(3,563,782)	1.83
Options forfeited	(153,236)	2.73
Options expired	(356,164)	7.42
At December 31, 2014	4,316,427	2.65
Options granted	2,306,635	2.02
Options exercised	(322,892)	1.13
Options forfeited	(349,336)	2.46
Options expired	(445,334)	4.11
At December 31, 2015	5,505,500	$ 2.10

The following table summarizes information about the Corporation's share options outstanding as at December 31, 2015:

	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
$0.59 – $0.97	769,509	4.0	$ 0.88	474,316	$ 0.88
$1.19 – $1.41	758,760	4.6	1.25	369,757	1.26
$1.52 – $2.18	2,292,974	5.8	2.02	702,505	1.72
$2.36 – $3.45	1,427,507	3.1	2.78	489,971	2.77
$4.18 – $6.10	256,750	0.2	5.23	256,750	5.23
	5,505,500	4.4	$ 2.10	2,293,299	$ 2.09

During 2015, 322,892 options were exercised for an equal amount of common shares for proceeds of $388,000. During 2014, 3,563,782 options were exercised for an equal amount of common shares for proceeds of $6,794,000.

20. Equity (cont'd):

(d) Share options (cont'd):

During 2015, options to purchase 2,306,635 common shares were granted with a weighted average fair value of $1.23 (2014 – 1,417,507 options and $1.74 fair value). The granted options vest annually over three years.

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

	2015	2014
Expected life	4 years	4 years
Expected dividends	Nil	Nil
Expected volatility	78%	69%
Risk-free interest rate	1%	1%

As at December 31, 2015, options to purchase 5,505,500 common shares were outstanding (2014 – 4,316,427). During 2015, compensation expense of $2,048,000 (2014 – $1,471,000) was recorded in net income based on the grant date fair value of the awards recognized over the vesting period.

(e) Share distribution plan:

The Corporation has a consolidated share distribution plan that permits the issuance of common shares for no cash consideration to employees of the Corporation to recognize their past contribution and to encourage future contribution to the Corporation. At December 31, 2015, there were 8,748,294 (2014 – 7,334,927) shares available to be issued under this plan.

No compensation expense was recorded against income during the years ended December 31, 2015 and 2014 for shares distributed, and to be distributed, under the plan.

(f) Deferred share units:

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

Balance	DSUs for common shares
At January 1, 2014	616,264
DSUs granted	295,579
At December 31, 2014	911,843
DSUs granted	160,062
DSUs exercised	(154,280)
At December 31, 2015	917,625

20. Equity (cont'd):

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

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

During 2015, 154,280 DSUs were exercised for 83,619 common shares. During 2014, no DSUs were exercised.

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

As at December 31, 2015, 917,625 deferred share units were outstanding (2014 – 911,843).

(g) Restricted share units:

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

The Corporation has two plans under which RSUs may be granted, the consolidated share distribution plan and the market purchase RSU plan. Awards under the consolidated share distribution plan (note 20(e)) are satisfied by the issuance of treasury shares on maturity. Awards granted under the market purchase RSU Plan are satisfied by shares purchased on the open market by a trust established for that purpose. No common shares were repurchased in 2015 and 2014. In March 2014, the Corporation sold its remaining 65,441 treasury shares for proceeds of $118,000 as no RSUs remained outstanding under the market purchase RSU plan. As of December 31, 2014, the Corporation held no treasury shares.

	RSUs for common shares		
Balance	Share Distribution Plan	Market Purchase Plan	Total RSUs
At January 1, 2014	2,399,722	23,806	2,423,528
RSUs granted	588,372	-	588,372
RSUs exercised	(1,022,658)	-	(1,022,658)
RSUs forfeited	(41,453)	(23,806)	(65,259)
At December 31, 2014	1,923,983	-	1,923,983
RSUs granted	1,036,417	-	1,036,417
RSUs exercised	(206,333)	-	(206,333)
RSUs forfeited	(1,045,441)	-	(1,045,441)
At December 31, 2015	1,708,626	-	1,708,626

20. Equity (cont'd):

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

During 2015, 1,036,417 RSUs were issued (2014 – 588,372). 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 2015, compensation expense of $243,000 (2014 - $490,000) was recorded against income.

During 2015, 206,333 RSUs were exercised for 119,627 common shares. During 2014, 1,022,658 RSUs were exercised for 583,084 common shares.

As at December 31, 2015, 1,708,626 RSUs were outstanding (2014 – 1,923,983).

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. During 2015, lease payments of $2,139,000 were expensed (2014 - $2,321,000).

At December 31, 2015, the Corporation is committed to payments under operating leases as follows:

Less than 1 year	$ 2,409
1-3 years	4,532
4-5 years	2,616
Thereafter	1,890
Total minimum lease payments	$ 11,447

22. Commitments and contingencies:

In connection with the acquisition of intellectual property from UTC in April 2014 (note 12), the Corporation retains a royalty obligation to pay UTC a portion (typically 25%) of any future intellectual property sale and licensing income generated from our intellectual property portfolio for a period of 15 years expiring in April 2029.

The Corporation retains a previous funding obligation to pay royalties of 2% of revenues, to a maximum of $4,613,000 (CDN $5,351,000), on sales of certain fuel cell products for commercial distributed utility applications. As of December 31, 2015, no royalties have been incurred to date for this agreement.

The Corporation also retains a previous funding obligation to pay royalties of 2% of revenues, to a maximum of $1,896,000 (CDN $2,200,000), on sales of certain fuel cell products for commercial transit applications. As of December 31, 2015, no royalties have been incurred to date for this agreement.

22. Commitments and contingencies (cont'd):

On December 31, 2008, the Corporation completed a restructuring agreement ("Arrangement") with Superior Plus Income Fund ("Superior Plus"), whereby the Corporation caused its entire business and operations, including all assets and liabilities, to be transferred to a new corporate entity, such that the new corporate entity held all of the same assets, liabilities, directors, management and employees as the Corporation formerly had under its old corporate entity, except for its tax attributes. The Arrangement included an indemnification agreement (the "Indemnity Agreement") which set out each party's continuing obligations to the other including a provision for adjustments to be paid by the Corporation, or to the Corporation, depending on the final determination of the amount of the Corporation's Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. In 2015, an agreement was reached and the Corporation signed mutual releases with Superior Plus as to the full and final amount payable to the Corporation under the Indemnity Agreement and received additional cash proceeds of $3,347,000 in February 2016. The cash proceeds receivable have been recorded as a credit to shareholders' equity as of December 31, 2015 consistent with the accounting for the original transaction in 2008.

At December 31, 2015, the Corporation has outstanding commitments aggregating up to a maximum of $432,000 (2014 - $232,000) relating primarily to purchases of property, plant and equipment.

23. Personnel expenses:

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

	December 31, 2015	December 31, 2014
Salaries and employee benefits	$ 47,762	$ 47,993
Share-based compensation (note 20)	2,950	2,249
	$ 50,712	$ 50,242

24. Other expense:

	December 31, 2015	December 31, 2014
Net impairment loss (recovery) on trade receivables	$ (899)	$ 6,206
Restructuring costs (recovery)	(13)	85
Acquisition costs (note 7)	1,542	-
	$ 630	$ 6,291

24. Other expense (cont'd):

In 2015, net impairment loss (recovery) on trade receivables of ($899,000) consists of recoveries of $1,586,000 as the Corporation collected on certain trade receivables in 2015 principally in Asia that were considered impaired and written down in 2014, less new impairment charges in 2015 of $687,000 relating to the non-collection of certain trade receivables outstanding from certain customers primarily located in Asia. In the event that the Corporation recovers any amounts previously recorded as impairment losses, the recovered amount will be recognized as a reversal of the impairment loss in the period of recovery. Of the new impairment charges in 2015 of $687,000, $231,000 relates to cash collected within the year, resulting in net impairment charges of $456,000.

In 2014, net impairment loss on trade receivables of $6,206,000 consisted of a $4,415,000 impairment charge as a result of material breaches by Azure Hydrogen Energy Science and Technology ("Azure") relating to the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement. The Corporation also incurred impairment charges of $1,791,000 relating to the non-collection of certain trade receivables outstanding from certain customers primarily located in Asia.

25. Finance income and expense:

	2015	2014
Employee future benefit plan expense (note 19)	$ (291)	$ (183)
Pension administration expense	(103)	(100)
Investment and other income	143	139
Unrealized loss on forward foreign exchange contracts	(287)	-
Foreign exchange gain	233	31
Finance (loss) and other	$ (305)	$ (113)
Finance expense	$ (794)	$ (942)

26. 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:

	2015	2014
Current tax expense		
Current period income tax	$ 5	$ -
Withholding tax	206	457
Adjustment for prior periods	-	(40)
Total current tax expense	$ 211	$ 417
Deferred tax expense		
Origination and reversal of temporary differences	$ 14,144	$ (947)
Adjustments for prior periods	2,874	(536)
Change in unrecognized deductible temporary differences	(17,018)	1,483
Total deferred tax expense	$ -	$ -
Total income tax expense	$ 211	$ 417

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:

	2015	2014
Net loss before income taxes	$ (6,363)	$ (29,331)
Expected tax recovery at 26.00% (2014 – 26.00%)	$ (1,654)	$ (7,626)
Increase (reduction) in income taxes resulting from:		
Non-taxable portion of capital gain	(2,213)	-
Non-deductible expenses	1,875	813
Expiry of losses and investment tax credits	1,181	2,800
Investment tax credits earned	(2,883)	(4,084)
Foreign tax rate differences	(304)	113
Change in unrecognized deductible temporary differences	4,209	8,401
Income taxes	$ 211	$ 417

(b) Unrecognized deferred tax liabilities:

At December 31, 2015, 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, 2015, the Corporation did not have any deferred tax assets resulting from the following deductible temporary differences for financial statement and income tax purposes.

26. Income taxes (cont'd):

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

	2015	2014
Scientific research expenditures	$ 58,385	$ 66,943
Accrued warranty provision	17,079	25,830
Share issuance costs	2,605	1,826
Losses from operations carried forward	89,872	89,176
Investment tax credits	23,757	26,637
Property, plant and equipment and intangible assets	149,892	189,123
	$ 341,590	$ 399,535

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

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

	2015	2014
Canadian scientific research expenditures	$ 58,385	$ 66,943
Canadian losses from operations	31,990	39,758
Canadian investment tax credits	23,749	26,637
German losses from operations for corporate tax purposes	303	303
U.S. federal losses from operations	30,320	13,023
Denmark losses from operations	27,259	35,973

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 2030 to 2035.

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

The U.S. federal losses from operations may be used to offset future U.S. taxable income and expire over the period from 2019 to 2035.

26. Income taxes (cont'd):

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

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

2019	$ 1,900
2020	1,384
2021	1,304
2022	1,046
2023	740
2024	912
2025	1,447
2029	3,424
2030	2,344
2031	2,180
2032	1,895
2033	1,663
2034	1,571
2035	1,940
	$ 23,750

27. 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:	2015	2014
Trade payables	$ 24	$ 70
Interest payable (note 17)	69	45
Revolving credit facility (note 17)	433	484

Transactions during the year with related parties:	2015	2014
Purchases	$ 172	$ 175
Finance expense	30	34

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).

27. Related party transactions (cont'd):

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

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:

	2015	2014
Salaries and employee benefits	$ 2,164	$ 2,348
Post-employment retirement benefits	49	60
Share-based compensation (note 20)	1,006	926
	$ 3,219	$ 3,334

28. Supplemental disclosure of cash flow information:

Non-cash financing and investing activities:	2015	2014
Compensatory shares	$ 557	$ 866
Shares issued for acquisition of intangible assets (note 12)	$ -	$ 20,307
Shares issued for acquisition of subsidiary (note 20)	$ 13,698	$ -

29. Operating segments:

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

As a result of the disposition of the Material Products division on January 31, 2013, the former Material Products segment has been classified as discontinued operations and therefore has been removed from the continuing operating results (note 8). The former Material Products segment sold carbon fiber products primarily for automotive transmissions and gas diffusion layers ("GDL") for fuel cells.

29. Operating segments (cont'd):

In 2015, revenues included sales to three individual customers of $14,517,000, $12,674,000 and $8,605,000, respectively, which each exceeded 10% of total revenue.

In 2014, revenues included sales to three individual customers of $22,632,000, $13,918,000 and $9,082,000, respectively, which each exceeded 10% of total revenue.

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

Revenues	2015	2014
Canada	$ 917	$ 2,869
U.S.	19,643	15,989
Germany	15,046	17,484
China	12,777	-
India	2,195	1,229
Taiwan	1,061	23,495
Japan	993	2,797
Denmark	656	-
Other countries	3,175	4,858
	$ 56,463	$ 68,721

Non-current assets by geographic area are as follows:

Non-current assets	December 31, 2015	December 31, 2014
Canada	$ 57,096	$ 76,447
U.S.	16,299	350
Denmark	26	50
Mexico	336	453
	$ 73,757	$ 77,300

30. Financial instruments:

(a) Fair value:

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, and finance lease liability. The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying values because of the short-term nature of these instruments. The interest rates applied to the finance lease liability are not considered to be materially different from market rates, thus the carrying value of the finance lease liability approximates fair value.

30. Financial instruments (cont'd):

(a) Fair value (cont'd):

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

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

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

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

(b) Financial risk management:

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

Foreign currency exchange rate risk

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

The Corporation limits its exposure to foreign currency risk by holding Canadian denominated cash and cash equivalents in amounts up to 100% of forecasted twelve month Canadian dollar net expenditures and up to 50% of the following twelve months of forecasted Canadian dollar net expenditures, thereby creating a natural hedge. Periodically, the Corporation also enters into forward foreign exchange contracts to further limit its exposure. At December 31, 2015, the Corporation held Canadian dollar denominated cash and cash equivalents of CDN $11,633,000 and outstanding forward foreign exchange contracts to sell a total of CDN $ 10,750,000 in 2016 at an average rate of CDN $1.33 to US $1.00.

The following exchange rates applied during the year ended December 31, 2015:

	$U.S. to $1.00 CDN	$CDN to $1.00 U.S.
January 1, 2015 Opening rate	$ 0.862	$ 1.160
December 31, 2015 Closing rate	$ 0.723	$ 1.384
Fiscal 2015 Average rate	$ 0.783	$ 1.279

Based on cash and cash equivalents held at December 31, 2015, 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 $841,000 recorded against net income.

30. Financial instruments (cont'd):

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

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, 2015, there were no outstanding forward platinum contracts under the Forward Contract Facility.

Interest rate risk

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

Based on cash and cash equivalents at December 31, 2015, a 0.25% decline in interest rates, with all other variables held constant, would result in a decrease in investment income of $100,000, arising mainly as a result of an increase in the fair value of fixed rate financial assets classified as held-for-trading. If interest rates had been 0.25% higher, there would be an equal and opposite impact on net income.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash, cash equivalents, short-term investments and accounts receivable. The Corporation limits its exposure to credit risk on cash and cash equivalents 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.

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 24, 2016 and should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. The results reported herein are presented in U.S. dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Additional information relating to the Company, including our Annual Information Form, is filed with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov) and is also available on our website at www.ballard.com.

BUSINESS OVERVIEW

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in proton exchange membrane ("PEM") fuel cell development and commercialization. Our principal business is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Telecom Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from water through electrolysis. Ballard fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, modular design and environmental cleanliness. Embedded in each Ballard PEM fuel cell product lies a stack of unit cells designed with our proprietary technology which draws on intellectual property from our patent portfolio together with our extensive experience and know-how in key areas of fuel cell stack design, operation, 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 business strategy is a two-pronged approach to build shareholder value through the sale and service of power products and the delivery of technology solutions. In power product sales, our focus is on meeting the power needs of our customers by delivering high value, high reliability, high quality and innovative clean energy power products that reduce customer costs and risks. Through technology solutions, our focus is on enabling our customers to solve their technical and business challenges and accelerate their fuel cell programs by delivering customized, high value, bundled technology solutions, including specialized engineering services, access to our deep intellectual property portfolio and know-how through licensing or sale, and providing technology component supply.

We are based in Canada, with head office, research and development, testing, manufacturing and service facilities in Burnaby, British Columbia. In the United States, we have research and development facilities in Bend, Oregon, and have a sales, manufacturing, and research and development facility in Southborough, Massachusetts. We use a contract manufacturing facility in Tijuana, Mexico. We also have a sales, service and research and development facility in Hobro, Denmark.

RECENT DEVELOPMENTS

As part of the Company's rationalization and renewal initiatives, Ballard announces that three executives – Paul Cass, COO, Dr. Christopher Guzy, CTO, and Steve Karaffa, CCO – will be departing from the Company by March 31, 2016. Responsibilities of the departing executives have now been assumed by internal personnel: David Whyte has been promoted from Director, Operations to VP, Operations, flattening and eliminating duplication in the Operations reporting structure; Dr. Kevin Colbow is now VP, Technology and Product Development, also retaining his current responsibility for Technology Solutions; and Karim Kassam is now VP, Commercial, also retaining his current responsibility for Business and Corporate Development. These senior management changes eliminate three C-level positions through rationalization and consolidation, while providing an opportunity for new approaches in these roles.

On December 31, 2008, we completed a restructuring agreement ("Arrangement") with Superior Plus Income Fund ("Superior Plus"), whereby Ballard caused its entire business and operations, including all assets and liabilities, to be transferred to a new corporate entity, such that the new corporate entity held all of the same assets, liabilities, directors, management and employees as Ballard formerly had under its old corporate entity, except for its tax attributes. The Arrangement included an indemnification agreement (the "Indemnity Agreement") which set out each party's continuing obligations to the other including a provision for adjustments to be paid by us, or to us, depending on the final determination of the amount of our Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. In 2015, we reached agreement and signed mutual releases with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement and received additional cash proceeds of approximately $3.3 million (Canadian $4.6 million) in February 2016. The cash proceeds receivable have been recorded as a credit to shareholders' equity as of December 31, 2015 consistent with the accounting for the original transaction in 2008.

On January 21, 2016, we announced the signing of an equipment supply agreement, valued at $12 million, with an existing partner in China, Guangdong Synergy Hydrogen Power Technology Co., Ltd. ("Synergy") to provide FCvelocity™-9SSL fuel cell stacks for range extension applications in commercial vehicles in China. Ballard expects to deliver the stacks in 2016 and 2017. Synergy will collaborate with Dongfeng Xiangyangtouring Car Co., Ltd. ("DFAC"), which is part of Dongfeng Motor Corporation, a Chinese state-owned automobile manufacturer headquartered in Wuhan. Dongfeng Motor Corporation is the largest manufacturer of commercial vehicles in China. Amounts earned from this agreement (nil in fiscal 2015) will be recorded as Heavy-Duty Motive revenues.

On December 29, 2015, we announced that our subsidiary, Protonex Technology Corporation ("Protonex"), had received a follow-on purchase order from the U.S. Army for more than 400 Squad Power Manager (SPM-622) Special Operations Kits, with a value of approximately $2.8 million. The purchase order was issued by the Program Executive Office – Soldier which has responsibility for acquiring man-worn and carried equipment utilized by U.S. Army Soldiers. The SPM-622 product has been developed and is produced by the Protonex engineering and operations team at the company's facility in Southborough, Massachusetts for Military use. To date more than 4,000 Power Managers have been trialed and deployed by the United States and allied Militaries. Amounts earned from this agreement ($1.7 million in the fourth quarter of 2015) are recorded as Portable Power revenues.

On November 10, 2015, we announced that we had closed a $5 million strategic equity investment in Ballard by Nisshinbo Holdings Inc. ("Nisshinbo") in Japan, as previously announced on October 27, 2015. The investment was made through a private placement subscription of approximately 3.3 million Ballard common shares issued from treasury at $1.5049 per share (based on a 10-day volume weighted average share price calculation). We intend to use the proceeds from the financing for general corporate purposes, including the potential funding of future acquisitions or investments in complementary businesses, products or technologies. The common shares issued are subject to a four-month hold period expiring on March 10, 2016 in accordance with applicable securities laws. Nisshinbo is an "Environmental and Energy Company" providing low-carbon, optimized products across a range of business lines, including chemicals, precision instruments, electronics, automotive brakes, textiles and paper. Nisshinbo has been a long-time leading global supplier of carbon plates, used in the construction of membrane electrode assemblies ("MEA's"), to the fuel cell industry. On January 20, 2016, we announced that we had received a follow-on purchase order from Nisshinbo for a further phase of a Technology Solutions program related to the development of a breakthrough catalyst technology intended to reduce the cost of certain proton exchange membrane (PEM) fuel cells. The program, now entering its seventh phase, has been underway for approximately 2.5 years.

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

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

On September 28, 2015, we announced the signing of a joint development agreement and a supply agreement to develop and commercialize a fuel cell engine specifically designed for integration into low floor trams manufactured by CRRC Qingdao Sifang Company, Ltd. (CRRC Sifang), a Chinese rolling stock manufacturer. The agreements include delivery expected in 2016 of ten customized FCvelocity® modules and have an initial expected value of approximately $6 million. Ballard plans to develop a new prototype configuration of its FCvelocity® fuel cell module to deliver 200 kilowatts of net power for use in powering trams in urban deployments. An initial deployment of eight fuel cell-powered trams is planned by CRRC Sifang and the City of Foshan on the Gaoming Line starting in 2017. Amounts earned from this agreement (nil in fiscal 2015) will be recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

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

On September 24, 2015, we announced that we are developing, and plan to launch, two new configurations of our FCvelocity ®-HD7 fuel cell module in 2016. The two new module configurations will expand Ballard's product portfolio and provide customers with increased flexibility to address a range of emerging power needs in heavy-duty transit applications, such as buses. Ballard's latest-generation FCvelocity®-HD7 was launched in a 90kW net power configuration in June 2015 at the UITP World Congress and Exhibition in Milan, Italy. This initial 90kW configuration will typically be used to power large urban transit buses. The two new product configurations are expected to deliver net power of 30kW and 60kW, respectively, and are expected to be launched for commercial deployments in 2016 to power smaller buses and provide range extension solutions. During fiscal 2015, $1.4 million of FCvelocity®-HD7 development costs were capitalized as fuel cell technology intangible assets.

On July 22, 2015, we announced the signing of an agreement to provide a 1 megawatt (1MW) ClearGen™ fuel cell distributed generation system for Hydrogène de France ("HDF") which will be deployed at an AkzoNobel sodium chlorate chemical plant in Bordeaux Métropole, France. In addition, Ballard will provide engineering services support for the program. The program will be partially funded by the EU Fuel Cells and Hydrogen Joint Undertaking (FCH-JU), with the remaining funding expected to be provided by HDF and its partners. The program agreement is structured in two phases. Under the first phase, targeted for completion in mid-2016, Ballard received an initial payment of €1.7 million to undertake engineering services and core component development work. Under the second phase, targeted for completion in 2017, Ballard is expected to receive an additional €1.7 million for onsite assembly and commissioning, subject to HDF securing necessary funding to complete the project. Amounts earned from this agreement ($0.7 million in the fourth quarter of 2015 and $0.8 million in fiscal 2015) are recorded as Technology Solutions revenue.

On July 7, 2015, we closed an underwritten offering ("July 2015 Offering") of 9.3 million common shares for gross proceeds of approximately $15.0 million, which included the exercise in full by the underwriters of their option to purchase up to an additional 15% of common shares to cover over-allotments. Net proceeds to Ballard were approximately $13.4 million, after deducting underwriting discounts, commissions and other offering expenses. During fiscal 2015, we used the net proceeds of $13.4 million in pursuit of our ongoing general business objectives including the funding of our 2015 working capital requirements, and for the continuing development and marketing of our proprietary technologies and core products.

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

On February 11, 2015, we entered into a transaction with Volkswagen Group ("Volkswagen") to transfer certain automotive-related fuel cell intellectual property for an aggregate amount of approximately $80 million including the benefits of a two-year extension of our existing technology development and engineering services agreement with Volkswagen previously announced on March 6, 2013 (see below for additional details). Under the transfer agreement ("Volkswagen IP Agreement"), Ballard will transfer to Volkswagen the ownership of the automotive-related portion of the fuel cell intellectual property assets previously acquired by us from United Technologies Corporation ("UTC") on April 24, 2014 (the "UTC Portfolio") through two separate transactions for total gross proceeds of $50 million:

(i) On the closing of the initial transaction on February 23, 2015, Ballard transferred ownership of the automotive-related patents and patent applications of the UTC Portfolio in exchange for gross proceeds of $40 million. This receipt triggered a 25%, or $10.0 million, license fee payment to UTC. Although ownership of the patents and patent applications was transferred to Volkswagen, Ballard received a royalty-free back-license to all the transferred patents and patent applications for use in all non-automotive applications, in bus applications and in certain limited pre-commercial automotive applications.

(ii) On the closing of the second transaction on December 2, 2015, Ballard transferred a copy of the automotive-related know-how of the UTC Portfolio in exchange for gross proceeds receivable of $10 million. This receipt (expected to be collected in the first quarter of 2016 net of applicable withholding taxes that are expected to be recovered in fiscal 2016) will trigger a 9%, or $0.9 million, payment to UTC in fiscal 2016. On the closing of the sale of a copy of the know-how, Ballard retained full ownership of the know-how including the right to sell additional copies of the know- how to third parties as well as retaining the right to use the know-how in all our applications.

On the closing of the sale of the automotive-related patents and patent applications of the UTC Portfolio in the first quarter of 2015, we recognized a gain on sale of intellectual property of $14.2 million on net proceeds received of $29.5 million. On the closing of the sale of a copy of the automotive-related know-how in the fourth quarter of 2015, we recognized an additional gain on sale of intellectual property of $5.4 million on net proceeds receivable of approximately $9.1 million.

On January 2, 2015, we announced that we had given termination notice on two licensing agreements in the China market as a result of material breaches of these agreements by Azure Hydrogen Energy Science and Technology Corporation ("Azure"). The first license agreement (the "Azure Bus Licensing Agreement"), originally announced on September 26, 2013, related to the assembly of Ballard's FCvelocity®-HD7 Bus power modules for the Chinese market. The second license agreement (the "Azure Telecom Backup Power Licensing Agreement"), announced on June 19, 2014, related to the assembly of Ballard's ElectraGen® Telecom Backup Power systems in China for the Chinese market. As a result of Azure's breaches under both contracts, and notwithstanding Ballard's good faith efforts to reach a settlement, we provided notice of termination of both agreements and recorded an impairment loss on trade receivables of $4.4 million in the fourth quarter of 2014 as we fully impaired all outstanding amounts owed by Azure. In June 2015, we agreed to a mutual release with Azure ("Azure Mutual Release Agreement") whereby each party mutually released and forever discharged each other from any and all liability arising from the above noted licensing agreements. Pursuant to the Azure Mutual Release Agreement, Azure returned for cancellation its 10% ownership position in Dantherm Power to Dantherm Power for $nil proceeds, upon which the shares were cancelled by Dantherm Power. Following such cancellation, Ballard's controlling ownership position in Dantherm Power was increased from 52% to 57%. Amounts earned from the Azure Bus Licensing Agreement (nil in fiscal 2015, nil in the fourth quarter of 2014, and $4.9 million in fiscal 2014) and the Azure Telecom Backup Power Licensing Agreement (nil in fiscal 2015, nil in the fourth quarter of 2014, and $3.8 million in fiscal 2014) prior to the contract termination and subsequent mutual release are recorded as Technology Solutions revenues.

During 2015, a total of 0.1 million share purchase warrants were exercised for Ballard common shares generating net proceeds of $0.2 million. During 2014, a total of 7.9 million share purchase warrants were exercised for Ballard common shares generating net proceeds of $12.3 million. The share purchase warrants were issued as part of two underwritten offerings which closed in March 2013 and October 2013. As of December 31, 2015, 0.1 million share purchase warrants (exercisable at $1.50 per share to March 2018) from the March 2013 underwritten offering and 1.7 million share purchase warrants (exercisable at $2.00 per share to October 2018) from the October 2013 underwritten offering remain outstanding.

During 2015, a total of 0.3 million employee share purchase options were exercised for Ballard common shares generating proceeds of $0.4 million. During 2014, a total of 3.6 million employee share purchase options were exercised for Ballard common shares generating proceeds of $6.8 million. As of December 31, 2015, 5.5 million share purchase options at a variety of prices and vesting dates remain outstanding.

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

On April 24, 2014, we acquired the transportation and stationary related fuel cell intellectual property assets of United Technologies Corporation ("UTC") for total consideration of $22.3 million. The UTC Portfolio consisted of approximately 800 patents and patent applications, as well as patent licenses, invention disclosures and know-how primarily related to PEM fuel cell technology. In addition to incremental intellectual property licensing revenue or sale opportunities, the acquired intellectual property assets will support other key elements of Ballard's corporate strategy: engineering service capabilities will be expanded in both automotive and non-automotive markets; and fuel cell product sales will be accelerated through product development initiatives in areas such as durability and balance of plant simplification. As consideration for the acquired intellectual property assets, UTC received 5.1 million Ballard common shares valued at $20.3 million, $2 million in cash, a grant back license to use the patent portfolio in UTC's existing businesses, and a portion (typically 25%) of Ballard's future intellectual property sale and licensing income generated from the combined intellectual property portfolio for a period of 15-years expiring in April 2029. On February 11, 2015, we entered into an agreement with Volkswagen to transfer the automotive-related portion of the UTC Portfolio to Volkswagen in two separate transactions for total payments of $50 million (which will trigger total payments to UTC of $10.9 million; of which $10.0 million was paid in fiscal 2015) while retaining a royalty-free back-license to utilize the entire UTC Portfolio in all non-automotive applications, in bus applications and in certain limited pre-commercial purposes in automotive applications. We retain a royalty obligation to pay UTC a portion (typically 25%) of any additional future intellectual property sale and licensing income generated from our intellectual property portfolio until April 2029.

On March 6, 2013, we entered into a technology development and engineering services agreement with Volkswagen to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The initial contract term was 4-years commencing in March 2013, with an option by Volkswagen for a 2-year extension. The initial expected 4-year contract value was in the range of approximately $60 - $100 million Canadian. On closing of the Volkswagen IP Agreement in February 2015, this technology development and engineering services was extended 2-years to February 2019. Over the full 6-years, this technology development and engineering services contract now has an estimated value of Canadian $100-140 million and is focused on the design and manufacture of next-generation fuel cell stacks for use in Volkswagen's fuel cell demonstration car program. Volkswagen also retains an option to further extend this program by 2-years to February 2021. Amounts earned from this agreement (approximately $3.6 million in the fourth quarter of 2015, $14.5 million in fiscal 2015, $4.0 million in the fourth quarter of 2014, and $18.5 million in fiscal 2014) are recorded as Technology Solutions revenues.

OPERATING SEGMENTS

We report our results in the single operating segment of Fuel Cell Products and Services. Our Fuel Cell Products and Services segment consists of the sale and service of fuel cell products for our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Telecom Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

We made changes to the composition of revenues in our Fuel Cell Products and Services segment in 2015. As a result, licensing revenues of nil for the fourth quarter of 2014 and $6.3 million for fiscal 2014 previously recorded as either Heavy-Duty Motive revenues, Material Handling revenues, or Telecom Backup Power revenues have been retroactively reclassified as Technology Solutions revenues.

SELECTED ANNUAL FINANCIAL INFORMATION

Results of Operations	**Year ended,**		
	2015	**2014**	**2013**
(Expressed in thousands of U.S. dollars, except per share amounts and gross margin %)			
From continuing operations			
Revenues	**$ 56,463**	**$ 68,721**	**$ 61,251**
Gross margin	**$ 9,974**	**$ 10,246**	**$ 16,759**
Gross margin %	**18%**	**15%**	**27%**
Cash Operating Costs [1]	**$ 29,050**	**$ 26,367**	**$ 28,084**
Adjusted EBITDA [1]	**$ (15,259)**	**$ (18,635)**	**$ (8,188)**
Normalized Net Loss [1]	**$ (24,791)**	**$ (21,833)**	**$ (18,056)**
Normalized Net Loss per share	**$ (0.18)**	**$ (0.17)**	**$ (0.18)**
Net loss from continuing operations attributable to Ballard	**$ (5,815)**	**$ (28,188)**	**$ (19,988)**
Net loss per share attributable to Ballard, basic and diluted	**$ (0.04)**	**$ (0.22)**	**$ (0.20)**
From discontinued operations			
Net earnings (loss) from discontinued operations	**$ -**	**$ 320**	**$ 24**
Net earnings (loss) per share from discontinued operations	**$ -**	**$ -**	**$ -**
Financial Position	**At December 31,**		
(expressed in thousands of U.S. dollars)	**2015**	**2014**	**2013**
Total assets	**$ 161,331**	**$ 127,949**	**$ 120,214**
Cash, cash equivalents and short-term investments	**$ 40,049**	**$ 23,671**	**$ 30,301**

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.

2015 Performance compared to 2015 Business Outlook

Although we did not provide formal revenue guidance for 2015, we did indicate that we expected the positive top-line growth trends in 2012 through 2014 to continue in 2015 as we continued to pursue our growth strategy for fuel cell product sales, engineering services and intellectual property licensing and sale. While our strategic focus on multiple fuel cell product markets, engineering services and intellectual property monetization serves to mitigate risk, the resulting cadence in customer demand can be uneven through the early stages of market development. As such and given this early stage of fuel cell market development and adoption rate, our financial results on a quarterly basis are subject to a high degree of variability.

Actual revenues of $56.5 million in 2015 declined (18%), or ($12.3) million, compared to 2014. Actual revenues in 2015 were lower than internal revenue expectations for 2015, primarily as a result of lower than planned Telecom Backup Power revenues driven by a significant decline in shipments of methanol-based backup power systems and hydrogen-based backup power stacks. New customer deployments of Telecom Backup Power system and stack solutions also continued to be negatively impacted by the relatively long, protracted sales cycle that includes additional time required for qualification, onsite testing, field trialing and certification. We continue to review strategic alternatives for our Telecom Backup Power business, including a possible sale, joint venture or orderly wind-up of this business.

RESULTS OF OPERATIONS – Fourth Quarter of 2015

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Fuel Cell Products and Services	**2015**	**2014**	$ Change	% Change
Heavy-Duty Motive	**$ 4,068**	**$ 2,120**	$ 1,948	92%
Portable Power	**3,398**	**-**	3,398	100%
Material Handling	**4,053**	**4,316**	(263)	(6%)
Telecom Backup Power	**1,622**	**3,116**	(1,494)	(48%)
Technology Solutions	**6,844**	**6,095**	749	12%
Revenues	**19,986**	**15,647**	4,339	28%
Cost of goods sold	**16,168**	**18,680**	(2,512)	(13%)
Gross Margin	**$ 3,818**	**$ (3,033)**	$ 6,851	226%
Gross Margin %	**19%**	**(19%)**	n/a	38 pts

Fuel Cell Products and Services Revenues of $20.0 million for the fourth quarter of 2015 increased 28%, or $4.3 million, compared to the fourth quarter of 2014. The 28% increase was driven by higher Heavy-Duty Motive, Portable Power and Technology Solutions revenues, which more than offset a decrease in Telecom Backup Power revenues as Material Handling revenues were relatively flat.

Technology Solutions revenues of $6.8 million increased $0.7 million, or 12%, due primarily to amounts earned in 2015 on the HDF distributed generation project, the TRC tram project and from Nantong Zehe for bus licensing and engineering services work. These increases more than offset a decline in Volkswagen service revenues which were negatively impacted by approximately ($0.6) million in the fourth quarter of 2015, as compared to the fourth quarter of 2014, as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, as the Volkswagen Agreement is priced in Canadian dollars. The underlying costs to satisfy the Volkswagen Agreement are primarily denominated in Canadian dollars.

Heavy-Duty Motive revenues of $4.1 million increased $1.9 million, or 92%, due to higher bus revenues as a result of significantly higher shipments of FCvelocity®-HD7 bus power modules and FCvelocity®-HD7 bus module part kits in the fourth quarter of 2015 primarily to our customers, Synergy and Nantong Zehe in China.

Material Handling revenues of $4.1 million decreased ($0.3) million, or (6%), primarily as a result of the pass-through of the benefit of lower platinum commodity prices to our customer, Plug Power, as overall stack shipments were relatively flat.

Portable Power revenues of $3.4 million in the fourth quarter of 2015 were generated by Protonex subsequent to our acquisition on October 1, 2015. Protonex is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions.

Telecom Backup Power revenues of $1.6 million decreased ($1.5) million, or (48%), due to a significant decline in shipments of methanol-based backup power systems, which more than offset the increase in shipments of hydrogen-based backup power systems. New customer deployments of Telecom Backup Power system and stack solutions also continued to be negatively impacted by the relatively long, protracted sales cycle that includes additional time required for qualification, onsite testing, field trialing and certification. We continue to review strategic alternatives for our Telecom Backup Power business, including a possible sale, joint venture or orderly wind-up of this business.

Fuel Cell Products and Services gross margins improved to $3.8 million, or 19% of revenues, for the fourth quarter of 2015, compared to ($3.0) million, or (19%) of revenues, for the fourth quarter of 2014. The significant improvement in gross margin of $6.9 million, or 226%, was driven by the 28% increase in overall revenues combined with the 38 point improvement in gross margin as a percent of revenues.

Gross margin in the fourth quarter of 2015 benefited from the increase in shipments of higher margin Heavy-Duty Motive products and services and by the increase in Portable Power shipments and services as a result of the recent acquisition of Protonex. In addition, gross margin in the fourth quarter of 2014 was adversely impacted by negative warranty and inventory charges. Negative net warranty adjustments of ($3.7) million were recognized in the fourth quarter of 2014 relating primarily to an increase in customer service related expenses in our Telecom Backup Power market as a result of fuel processor issues in a select Asian deployment, compared to net positive warranty adjustments of $0.5 million in the fourth quarter of 2015. Negative inventory impairments of ($0.6) million were recognized in the fourth quarter of 2014 relating primarily to excess distributed generation and other excess and obsolete inventory, compared to negative inventory impairments of ($0.4) million in the fourth quarter of 2015 relating primarily to excess bus inventory as we transition from FCvelocity®-HD6 bus products to FCvelocity®-HD7 bus products.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2015	2014	$ Change	% Change
Research and Product Development (operating cost)	**$ 3,065**	$ 3,700	$ (635)	(17%)
General and Administrative (operating cost)	**2,806**	2,545	261	10%
Sales and Marketing (operating cost)	**1,858**	1,586	272	17%
Cash Operating Costs	**$ 7,729**	$ 7,831	$ (102)	(1%)

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

Cash Operating Costs (see Supplemental Non-GAAP Measures) for the fourth quarter of 2015 were $7.7 million, a decrease of ($0.1) million, or (1%), compared to the fourth quarter of 2014. The (1%) decrease in the fourth quarter of 2015 was driven by lower research and product development operating costs which were partially offset by slightly higher general and administrative and sales and marketing operating costs.

Research and product development operating costs for the fourth quarter of 2015 were $3.1 million, a decrease of ($0.6) million, or (17%), compared to the fourth quarter of 2014. The (17%) decrease was driven primarily by increased government funding as recoveries in Denmark by Dantherm Power were up significantly, by the capitalization in the fourth quarter of 2015 of $0.8 million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets, and by lower labour costs in Canada as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. These costs savings in the fourth quarter of 2015 were partially offset by increased costs as a result of the acquisition of Protonex on October 1, 2015 which contributed approximately $0.7 million of research and product development operating costs in the quarter.

General and administrative operating costs for the fourth quarter of 2015 were $2.8 million, an increase of 10% compared to the fourth quarter of 2014. The 10% increase was driven primarily by the acquisition of Protonex on October 1, 2015 which contributed approximately $0.6 million of general and administrative operating costs in the quarter. This cost pressure in the fourth quarter of 2015 was partially offset by lower labour costs in Canada as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

Sales and marketing operating costs for the fourth quarter of 2015 were $1.9 million, an increase of 17% compared to the fourth quarter of 2014. The 17% increase was driven primarily by increased investment in sales and marketing capacity primarily in the Telecom Backup Power market, combined with the acquisition of Protonex on October 1, 2015 which contributed approximately $0.3 million of sales and marketing operating costs in the quarter. This cost pressure in the fourth quarter of 2015 was partially offset by lower labour costs in Canada as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

As noted above, operating costs in the fourth quarter of 2015 benefited from the positive impact of a weaker Canadian dollar, relative to the U.S. dollar. As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian dollar relative to the U.S. dollar was approximately (18%) lower in the fourth quarter of 2015 as compared to the fourth quarter of 2014, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $1.3 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,			
	2015	2014	$ Change	% Change
Adjusted EBITDA	$ **(2,936)**	$ (16,057)	$ 13,121	82%

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 2015 was ($2.9) million, compared to ($16.1) million for the fourth quarter of 2014. The $13.1 million reduction in Adjusted EBITDA loss in the fourth quarter of 2015 was driven by the $6.9 million increase in gross margin primarily as a result of the 28% increase in revenue combined with lower net negative warranty and inventory charges of $4.2 million, by lower impairment losses on trade receivables included in other operating expenses of $6.2 million, and by the decline in Cash Operating Costs of $0.1 million.

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

Net income (loss) attributable to Ballard

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2015	2014	$ Change	% Change
Net income (loss) attributable to Ballard from continuing operations	**$ (1,355)**	$ (17,467)	$ 16,122	92%

Net income (loss) attributable to Ballard from continuing operations for the fourth quarter of 2015 was ($1.4) million, or ($0.01) per share, compared to a net loss of ($17.5) million, or ($0.13) per share, in the fourth quarter of 2014. The $16.1 million reduction in net loss was driven by the reduction in Adjusted EBITDA loss of $13.1 million, combined with the gain on sale of intellectual property of $5.4 million related to the closing of the sale of a copy of the automotive-related know-how of the UTC Portfolio to Volkswagen pursuant to the Volkswagen IP Agreement. These fourth quarter of 2015 net income improvements were partially offset by acquisition costs of ($0.9) million in 2015 related to the Protonex acquisition, by higher income taxes of ($0.5) million related to withholding taxes incurred on Chinese licensing income, and by higher stock-based compensation expense of ($0.6) million.

As noted above, net loss attributable to Ballard in the fourth quarter of 2015 was positively impacted by the gain on sale of intellectual property of $5.4 million, and negatively impacted by acquisition costs of ($0.9) million. Adjusted EBITDA and net loss attributable to Ballard in the fourth quarter of 2014 was negatively impacted by impairment loss on trade receivables of ($6.2) million. Excluding the impact of the gain on sale of intellectual property and the impact from acquisition costs and impairment losses on trade receivables, Normalized Net Loss (see Supplemental Non-GAAP Measures) in the fourth quarter of 2015 was ($5.9) million, or ($0.04) per share, compared to ($11.3) million, or ($0.09) per share, for the fourth quarter of 2014.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Dantherm Power related to their 43% equity interest in Dantherm Power. Net income (loss) attributed to non-controlling interests for the fourth quarter of 2015 was $0.1 million, compared to ($0.6) million for the fourth quarter of 2014. The improvement in performance at Dantherm Power in the fourth quarter of 2015, as compared to the fourth quarter of 2014, is primarily a result of cost reduction efforts combined with an increase in government funding recoveries on research and product development activities.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2015	2014	$ Change	% Change
Cash (used in) provided by operating activities	**$ (10,566)**	$ (8,195)	$ (2,371)	(29%)

Cash used in operating activities in the fourth quarter of 2015 was ($10.6) million, consisting of cash operating losses of ($4.6) million and net working capital outflows of ($5.9) million. Cash used in operating activities in the fourth quarter of 2014 was ($8.2) million, consisting of cash operating losses of ($10.8) million partially offset by net working capital inflows of $2.6 million. The ($2.4) million increase in cash used by operating activities in the fourth quarter of 2015, as compared to the fourth quarter of 2014, was driven by the relative increase in working capital requirements of ($8.6) million, partially offset by the relative reduction in cash operating losses of $6.2 million. The $6.2 million reduction in cash operating losses in the fourth quarter of 2015 was due primarily to the $13.1 million reduction in Adjusted EBITDA loss, partially offset by lower impairment losses on trade receivables of ($6.1) million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses.

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

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

RESULTS OF OPERATIONS – Year ended December 31, 2015

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Fuel Cell Products and Services	**2015**	**2014**	$ Change	% Change
Heavy-Duty Motive	**$ 11,953**	**$ 5,140**	$ 6,813	133%
Portable Power	**3,398**	**-**	3,398	100%
Material Handling	**12,710**	**13,946**	(1,236)	(9%)
Telecom Backup Power	**5,737**	**13,099**	(7,362)	(56%)
Technology Solutions	**22,665**	**36,536**	(13,871)	(38%)
Revenues	**56,463**	**68,721**	(12,258)	(18%)
Cost of goods sold	**46,489**	**58,475**	(11,986)	(20%)
Gross Margin	**$ 9,974**	**$ 10,246**	$ (272)	(3%)
Gross Margin %	**18%**	**15%**	n/a	3 pts

Fuel Cell Products and Services Revenues of $56.5 million in 2015 declined (18%), or ($12.3) million, compared to 2014. The (18%) decline was driven by lower Technology Solutions, Telecom Backup Power and Material Handling revenues, which more than offset an increase in Heavy-Duty Motive and Portable Power revenues. As a result of the termination of the Azure contracts in the fourth quarter of 2014, we did not record any revenue in 2015 from the Azure Bus and Azure Telecom Backup Power Agreements as compared to a total of $8.7 million recognized in 2014.

Technology Solutions revenues of $22.7 million decreased ($13.9) million, or (38%), due primarily to the absence in 2015 of licensing and engineering services revenues under the Azure Bus Licensing Agreement (nil in 2015 as compared to $4.9 million in 2014) and the Azure Telecom Backup Power Licensing Agreement (nil in 2015 as compared to $3.9 million in 2014), and by the increased allocation of engineering resources during 2015 to corporate research and product development activities. In addition, Volkswagen service revenues were negatively impacted by approximately ($2.3) million in 2015, as compared to 2014, as a result of an approximate (16%) lower Canadian dollar, relative to the U.S. dollar, as the Volkswagen Agreement is priced in Canadian dollars. The Volkswagen Agreement is priced in Canadian dollars as a majority of the underlying costs to satisfy the agreement are denominated in Canadian dollars.

Material Handling revenues of $12.7 million decreased ($1.2) million, or (9%), primarily as a result of the pass through of the benefit of lower platinum commodity prices to our customer, Plug Power, as overall stack shipments were relatively flat.

Heavy-Duty Motive revenues of $12.0 million increased $6.8 million, or 133%, due to higher shipments of fuel cell bus products to our customers primarily in Asia, North America and Europe. Bus product shipments in 2015 included significantly higher shipments of FCvelocity®-HD7 bus power modules and FCvelocity®-HD7 bus module part kits primarily to our customers, Nantong Zehe and Synergy in China.

Telecom Backup Power revenues of $5.7 million declined ($7.4) million, or (56%), due to a significant decline in shipments of methanol-based backup power systems and hydrogen-based backup power stacks, combined with a lower average selling price in 2015 on sales of methanol-based backup power systems driven by the completed shipment of an initial order from RJIL of 100 ElectraGen™-ME 2.5kW fuel cell backup power systems to be deployed in RJIL's wireless telecom network in India. The lower average selling price of methanol-based backup power systems in 2015 was due primarily to product mix as the 100-system RJIL order was for 2.5kW systems compared to predominately 5.0kW system shipments in 2014. New customer deployments of Telecom Backup Power system and stack solutions also continued to be negatively impacted in 2015 by the relatively long, protracted sales cycle that includes additional time required for qualification, onsite testing, field trialing and certification, as well as by our actions to correct certain product quality issues discovered in 2014.

Portable Power revenues of $3.4 million in 2015 were generated by Protonex subsequent to our acquisition on October 1, 2015. Protonex is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions.

Fuel Cell Products and Services gross margins were $10.0 million, or 18% of revenues, for 2015, compared to $10.2 million, or 15% of revenues, for 2014. The minor decline in overall gross margin of ($0.3) million, or (3%), was driven by the (18%) decline in overall revenues offset by the 3 point improvement in gross margin as a percent of revenues from 15% in 2014 to 18% in 2015.

Gross margin in 2015 was negatively impacted by a significant reduction in higher margin Technology Solutions licensing revenues as licensing amounts earned in 2015 on the Nantong Zehe agreements were significantly lower than amounts earned in 2014 on the breached Azure Bus and Azure Telecom Backup Power Agreements totaling $8.7 million. This negative gross margin impact in 2015 was partially offset by improvements in 2015 as a result of the significant increase in shipments of higher margin Heavy-Duty Motive bus products and by the increase in Portable Power shipments and services as a result of the recent acquisition of Protonex. In addition, gross margin in 2014 was negatively impacted by negative warranty and inventory charges. Negative net warranty adjustments of ($3.5) million were recognized in 2014 relating primarily to an increase in customer service related expenses in our Telecom Backup Power market as a result of fuel processor issues in a select Asian deployment, compared to net positive warranty adjustments of $1.3 million in 2015 relating primarily to warranty expirations and reduced product costs. Negative inventory impairments of ($1.3) million were recognized in 2014 relating primarily to excess distributed generation and other excess and obsolete inventory, compared to negative inventory impairments of ($0.6) million in 2015 relating primarily to excess bus inventory as we transition from FCvelocity®-HD6 bus products to FCvelocity®-HD7 bus products.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2015	2014	$ Change	% Change
Research and Product Development (operating cost)	**$ 13,301**	$ 10,436	$ 2,865	27%
General and Administrative (operating cost)	**9,022**	9,451	(429)	(5%)
Sales and Marketing (operating cost)	**6,727**	6,480	247	4%
Cash Operating Costs	**$ 29,050**	$ 26,367	$ 2,683	10%

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

Cash Operating Costs (see Supplemental Non-GAAP Measures) in 2015 were $29.0 million, an increase of $2.7 million, or 10%, compared to 2014. The 10% increase in 2015 was driven by significantly higher research and product development operating costs, and by slightly higher sales and marketing operating costs, which more than offset the reduction in general and administrative costs.

Research and product development operating costs in 2015 were $13.3 million, an increase of $2.9 million, or 27%, compared to 2014. The 27% increase was driven primarily by the (38%) decline in Technology Solutions revenues resulting in significantly fewer engineering staff resources being directed to revenue generating engineering service projects as engineering resources were instead redirected to research and product development activities. 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 cost pressures in 2015 were partially offset by the capitalization in 2015 of $1.6 million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets, and by lower labour costs in Canada as a result of an approximate (16%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

General and administrative operating costs in 2015 were $9.0 million, a decline of ($0.4) million, or (5%), compared to 2014. The (5%) decrease was driven by lower labour costs in Canada as a result of an approximate (16%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. These cost savings in 2015 were partially offset by higher legal and patent renewal expenses in 2015 and by additional expenses assumed on the acquisition of Protonex on October 1, 2015.

Sales and marketing operating costs in 2015 were $6.7 million, an increase of 4% compared to 2014. The 4% increase was driven by increased investment in sales and marketing capacity primarily in the Telecom Backup Power market, and by the additional expenses assumed on the acquisition of Protonex on October 1, 2015. These cost pressures in 2015 were partially offset by lower labour costs in Canada as a result of an approximate (16%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

As noted above, operating costs in 2015 benefited from the positive impact of a weaker Canadian dollar, relative to the U.S. dollar. As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian dollar relative to the U.S. dollar was approximately (16%) lower in 2015 as compared to 2014, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $4.3 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,			
	2015	2014	$ Change	% Change
Adjusted EBITDA	$ **(15,259)**	$ (18,635)	$ 3,376	18%

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) in 2015 was ($15.3) million, compared to ($18.6) million for 2014. The $3.4 million reduction in Adjusted EBITDA loss in the 2015 was driven by lower impairment losses on trade receivables included in other operating expenses of $7.1 million, partially offset by the increase in Cash Operating Costs of ($2.7) million primarily as a result of significantly fewer engineering staff resources being directed to revenue generating engineering service projects, and by the minor decline in gross margin of ($0.3) million.

Impairment (loss) recovery on trade receivables in 2015 were $0.9 million, compared to ($6.2) million for 2014. Impairment recovery on trade receivables in 2015 of $0.9 million resulted primarily from the collection of certain accounts principally in Asia that were considered impaired and written down 2014. Impairment loss on trade receivables in 2014 of ($6.2) million consist primarily of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) related to non-collection of certain of our customers primarily in Asia. In the event that we are able to recover on an impaired trade receivable through legal or other means, the recovered amount is recognized in the period of recovery as a reversal of the impairment loss.

Net income (loss) attributable to Ballard

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2015	2014	$ Change	% Change
Net income (loss) attributable to Ballard from continuing operations	$ **(5,815)**	$ (28,188)	$ 22,373	79%

Net income (loss) attributable to Ballard from continuing operations in 2015 was ($5.8) million, or ($0.04) per share, compared to a net loss of ($28.2) million, or ($0.22) per share, in 2014. The $22.4 million reduction in net loss for 2015 was driven primarily by the gain on sale of intellectual property of $19.6 million related to the closing of the sale of the automotive-related patents and patent applications of the UTC Portfolio and the closing of the sale of a copy of the automotive-related know-how of the UTC Portfolio to Volkswagen pursuant to the Volkswagen IP Agreement, combined with the reduction in Adjusted EBITDA loss of $3.4 million, and the decline in depreciation and amortization expense of $1.2 million primarily as a result of lower intangible asset amortization after the Volkswagen IP Agreement. These 2015 net income improvements were partially offset by acquisition costs of ($1.5) million in 2015 related to the Protonex acquisition.

As noted above, net loss attributable to Ballard in 2015 was positively impacted by the gain on sale of intellectual property of $19.6 million, and negatively impacted by acquisition costs of ($1.5) million. Adjusted EBITDA and net loss attributable to Ballard in 2015 were also positively impacted by net impairment recoveries on trade receivables of $0.9 million. Adjusted EBITDA and net loss attributable to Ballard 2014 was negatively impacted by impairment loss on trade receivables of ($6.2) million. Excluding the impact of the gain on sale of intellectual property and the impact from acquisition costs, impairment (losses) recoveries (losses) on trade receivables, and other minor asset impairment charges, Normalized Net Loss (see Supplemental Non-GAAP Measures) in 2015 was ($24.8) million, or ($0.18) per share, compared to ($21.8) million, or ($0.17) per share, for 2014.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Dantherm Power related to their 48% equity interest in Dantherm Power. Net loss attributed to non-controlling interests for 2015 was ($0.8) million, compared to ($1.6) million for 2014. The improvement in performance at Dantherm Power in 2015, as compared to 2014, is primarily a result of cost reduction efforts combined with an increase in government funding recoveries on research and product development activities.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2015	2014	$ Change	% Change
Cash (used in) provided by operating activities	**$ (25,364)**	$ (20,671)	$ (4,693)	(23%)

Cash used in operating activities in 2015 was ($25.4) million, consisting of cash operating losses of ($19.3) million and net working capital outflows of ($6.0) million. Cash used in operating activities in 2014 was ($20.7) million, consisting of cash operating losses of ($15.7) million and net working capital outflows of ($5.0) million. The ($4.7) million increase in cash used by operating activities in 2015, as compared to 2014, was driven by the relative increase in cash operating losses of ($3.6) million, combined with the relative increase in working capital requirements of ($1.0) million. The ($3.6) million increase in cash operating losses in 2015 was due primarily to lower impairment losses on trade receivables of ($5.8) million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses, partially offset by the $3.4 million reduction in Adjusted EBITDA loss.

The total change in working capital of ($6.0) million in 2015 was driven by higher inventory of ($5.6) million primarily to support expected Heavy-Duty Motive and Power Products shipments in the first quarter of 2016 to Synergy, the U.S. Army and other customers and as a result of delayed but expected Telecom Backup Power system shipments, by lower accrued warranty provisions of ($3.6) million due primarily to customer service related expenses incurred in our Telecom Backup Power market in Asia and by Heavy-Duty Motive warranty contract expirations, and by lower accounts payable and accrued liabilities of ($1.3) million due primarily to the timing of purchases and supplier payments. These 2015 working capital outflows were partially offset by higher deferred revenue of $4.0 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed.

This compares to a total change in working capital of ($5.0) million in 2014 which was driven by lower accounts receivable of ($4.1) million primarily as a result of impairment losses on trade receivables of ($6.2) million and the timing of Technology Solutions, Heavy-Duty Motive and Telecom Backup Power revenues and the related customer collections, and by lower deferred revenue of ($4.4) million as we completed the contract work on Technology Solutions and certain government grant contracts for which we received prepayments in an earlier period. These working capital outflows in 2014 were partially offset by working capital inflows related to higher accrued warranty provisions of $2.4 million primarily as a result of an adjustment for an expected increase in customer service related expenses in our Telecom Backup Power market in Asia, and by lower inventory of $1.5 million as we shipped product purchased and built in prior quarters.

OPERATING EXPENSES AND OTHER ITEMS

Research and product development expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Research and product development	**2015**	2014	$ Change	% Change
Research and product development expense	**$ 3,461**	**$ 4,510**	$ (1,049)	(23%)
Less: Depreciation and amortization expense	**$ (321)**	**$ (914)**	$ 593	65%
Less: Stock-based compensation expense	**$ (74)**	**$ 104**	$ (178)	(171%)
Research and product development (operating cost)	**$ 3,066**	**$ 3,700**	$ (634)	(17%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Research and product development	**2015**	2014	$ Change	% Change
Research and product development expense	**$ 16,206**	**$ 14,294**	$ 1,912	13%
Less: Depreciation and amortization expense	**$ (1,947)**	**$ (3,209)**	$ 1,262	39%
Less: Stock-based compensation expense	**$ (957)**	**$ (649)**	$ (308)	(47%)
Research and product development (operating cost)	**$ 13,302**	**$ 10,436**	$ 2,866	27%

Research and product development expenses for the three months ended December 31, 2015 were $3.5 million, a decline of ($1.0) million, or 23%, compared to the corresponding period of 2014. Excluding depreciation and amortization expense of ($0.3) million and ($0.9) million, respectively, in each of the periods and excluding stock-based compensation (expense) recovery of ($0.1) million and $0.1 million, respectively, in each of the periods, research and product development operating costs were $3.1 million in the fourth quarter of 2015, a decline of ($0.6) million, or (17%), compared to the fourth quarter of 2014.

The (17%) decline in research and development operating costs in the fourth quarter of 2015 was driven primarily by increased government funding as recoveries in Denmark by Dantherm Power were up significantly, by the capitalization in the fourth quarter of 2015 of $0.8 million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets, and by lower labour costs in Canada as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. These costs savings in the fourth quarter of 2015 were partially offset by increased costs as a result of the acquisition of Protonex on October 1, 2015 which contributed approximately $0.7 million of research and product development operating costs in the quarter.

Research and product development expenses for the year ended December 31, 2015 were $16.2 million, an increase of $1.9 million, or 13%, compared to the corresponding period of 2014. Excluding depreciation and amortization expense of ($1.9) million and ($3.2) million, respectively, in each of the periods and excluding stock-based compensation expense of ($1.0) million and ($0.6) million, respectively, in each of the periods, research and product development operating costs were $13.3 million in 2015, an increase of $2.9 million, or 27%, compared to 2014.

The 27% increase in research and development operating costs in 2015 was driven primarily by the (38%) decline in Technology Solutions revenues resulting in fewer engineering staff resources being directed to revenue generating engineering service projects. These engineering resources were instead redirected to corporate research and product development activities. In addition, costs increased in 2015 as a result of the acquisition of Protonex on October 1, 2015 which contributed approximately $0.7 million of research and product development operating costs in 2015. These cost pressures in 2015 were partially offset by the capitalization in 2015 of $1.6 million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets, and by lower labour costs in Canada as a result of an approximate (16%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. Government funding recoveries in were effectively flat year over year as increased government funding recoveries in Denmark by Dantherm Power in 2015 were offset by lower government funding recoveries in Canada in 2015 primarily as a result of the conclusion of the multi-year SDTC Bus award in the fourth quarter of 2014 with the introduction of the FCvelocity®-HD7, Ballard's next-generation of fuel cell bus power module.

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

Depreciation and amortization expense included in research and product development expense for the three months and year ended December 31, 2015 was $0.3 million and $1.9 million, respectively, compared to $0.9 million and $3.2 million, respectively, for the corresponding periods of 2014. Depreciation and amortization expense relates primarily to amortization expense on our intangible assets and depreciation expense on our manufacturing equipment. Depreciation and amortization expense has declined in 2015 as a result of the Volkswagen IP Agreement whereby in the first quarter of 2015 we transferred to Volkswagen the ownership of the automotive-related portion of the fuel cell intellectual property assets previously acquired by us from UTC in the second quarter of 2014. Although ownership of the patents and patent applications was transferred to Volkswagen, Ballard received a royalty-free back-license to all the transferred patents and patent applications to utilize all non-automotive applications, in bus applications and in certain limited pre-commercial purposes for automotive applications.

Stock-based compensation expense (recovery) included in research and product development expense for the three months and year ended December 31, 2015 was $0.1 million and $1.0 million, respectively, compared to ($0.1) million and $0.6 million, respectively, for the corresponding periods of 2014. Stock-based compensation increased in 2015 primarily as a result of a change in compensation structure from cash incentive awards to share-compensation awards for certain employees combined with new awards granted on the acquisition of Protonex to certain Protonex employees. In addition, a downward adjustment to accrued stock-based compensation expense was made in the fourth quarters of both 2015 and 2014 as certain outstanding restricted share units failed to meet the vesting criteria.

General and administrative expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
General and administrative	**2015**	**2014**	$ Change	% Change
General and administrative expense	**$ 3,028**	**$ 2,157**	$ 871	40%
Less: Depreciation and amortization expense	**$ (140)**	**$ (44)**	$ (96)	(218%)
Less: Stock-based compensation expense	**$ (82)**	**$ 432**	$ (514)	(119%)
General and administrative (operating cost)	**$ 2,806**	**$ 2,545**	$ 261	10%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
General and administrative	**2015**	**2014**	$ Change	% Change
General and administrative expense	**$ 10,594**	**$ 10,450**	$ 144	1%
Less: Depreciation and amortization expense	**$ (280)**	**$ (183)**	$ (97)	(53%)
Less: Stock-based compensation expense	**$ (1,292)**	**$ (816)**	$ (476)	(58%)
General and administrative (operating cost)	**$ 9,022**	**$ 9,451**	$ (429)	(5%)

General and administrative expenses for the three months ended December 31, 2015 were $3.0 million, an increase of $0.9 million, or 40%, compared to the corresponding period of 2014. Excluding relatively insignificant depreciation and amortization expense in each of the periods, and excluding stock-based compensation (expense) recovery of ($0.1) million and $0.4 million, respectively, in each of the periods, general and administrative operating costs were $2.8 million in the fourth quarter of 2015, an increase of $0.3 million, or 10%, compared to the fourth quarter of 2014.

The 10% increase in general and administrative operating costs in the fourth quarter of 2015 was driven primarily by the acquisition of Protonex on October 1, 2015 which contributed approximately $0.6 million of general and administrative operating costs in the quarter. This cost pressure in the fourth quarter of 2015 was partially offset by lower labour costs in Canada as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

General and administrative expenses for year ended December 31, 2015 were $10.6 million, an increase of $0.1 million, or 1%, compared to the corresponding period of 2014. Excluding relatively insignificant depreciation and amortization expense in each of the periods, and excluding stock-based compensation expense of ($1.3) million and ($0.8) million, respectively, in each of the periods, general and administrative operating costs in the 2015 were $9.0 million, a decrease of ($0.4) million, or (5%), compared to 2014.

The (5%) decrease in general and administrative operating costs in 2015 was driven primarily by lower labour costs in Canada as a result of an approximate (16%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. These cost savings in 2015 were partially offset by added expenses assumed on the acquisition of Protonex on October 1, 2015 and by higher patent renewal costs in 2015 related to the acquired UTC intellectual property portfolio prior to its sale in February 2015 in the Volkswagen IP Agreement. Higher legal and transaction related expenses incurred in 2015, primarily as a result of the Azure contract breaches, were offset by lower human resources expenses in 2015 due to CEO search expenses incurred in 2014.

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

Stock-based compensation expense (recovery) included in general and administrative expense for the three months and year ended December 31, 2015 was $0.1 million and $1.3 million, respectively, compared to ($0.4) million and $0.8 million, respectively, for the corresponding periods of 2014. Stock-based compensation increased in 2015 primarily as a result of a change in compensation structure from cash incentive awards to share-compensation awards for certain employees combined with new awards granted on the acquisition of Protonex to certain Protonex employees. In addition, a downward adjustment to accrued stock-based compensation expense was made in the fourth quarters of both 2015 and 2014 as certain outstanding restricted share units failed to meet the vesting criteria.

Sales and marketing expenses

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
Sales and marketing	**2015**	2014	$ Change	% Change
Sales and marketing expense	**$ 1,951**	$ 1,755	$ 196	11%
Less: Stock-based compensation expense	**$ (93)**	$ (169)	$ 76	45%
Sales and marketing (operating cost)	**$ 1,858**	$ 1,586	$ 272	17%

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
Sales and marketing	**2015**	2014	$ Change	% Change
Sales and marketing expense	**$ 7,428**	$ 7,265	$ 163	2%
Less: Stock-based compensation expense	**$ (701)**	$ (785)	$ 84	11%
Sales and marketing (operating cost)	**$ 6,727**	$ 6,480	$ 247	4%

Sales and marketing expenses for the three months ended December 31, 2015 were $2.0 million, an increase of $0.2 million, or 11%, compared to the corresponding period of 2014. Excluding stock-based compensation expense of ($0.1) million and ($0.2), respectively, in each of the periods, sales and marketing operating costs were $1.9 million in the fourth quarter of 2015, an increase of 17% compared to the fourth quarter of 2014.

Sales and marketing expenses for the year ended December 31, 2015 were $7.4 million, an increase of 2%, compared to the corresponding period of 2014. Excluding stock-based compensation expense of ($0.7) million and ($0.8) million, respectively, in each of the periods, sales and marketing operating costs were $6.7 million in 2015, an increase of 4% compared to 2014.

The respective 17% and 4% increases in sales and marketing operating costs in 2015 were driven by increased investment in sales and marketing capacity primarily in the Telecom Backup Power market, combined with the acquisition of Protonex on October 1, 2015 which contributed approximately $0.3 million of sales and marketing operating costs in the quarter. This cost pressure in the fourth quarter of 2015 was partially offset by lower labour costs in Canada as a result of an approximate (18%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

Other (expense) recovery for the three months and year ended December 31, 2015 was ($0.9) million and $0.6 million, respectively, compared to ($6.2) million and ($6.3) million for the corresponding periods of 2014. The following tables provide a breakdown of other (expense) recovery for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2015	2014	$ Change	% Change
Impairment (loss) recovery on trade receivables	**$ 39**	**$ (6,159)**	$ 6,198	101%
Restructuring (expense) recovery	**-**	**(78)**	78	100%
Acquisition charges	**(902)**	**-**	(902)	(100%)
Other (expenses) recovery	**$ (863)**	**$ (6,237)**	$ (5,374)	(86%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2015	2014	$ Change	% Change
Impairment (loss) recovery on trade receivables	**$ 899**	**$ (6,206)**	$ 7,105	114%
Restructuring (expense) recovery	**13**	**(85)**	98	115%
Acquisition charges	**(1,542)**	**-**	(1,542)	(100%)
Other (expenses) recovery	**$ 630**	**$ (6,291)**	$ (5,661)	(90%)

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

Impairment loss on trade receivables for the three months and year ended December 31, 2014 was ($6.2) million and consist of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) million related to non-collection of certain of our customers primarily in Asia.

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

Restructuring charges of ($0.1) million in 2014 relate primarily to minor restructurings focused on overhead cost reduction.

Finance income (loss) and other for the three months and year ended December 31, 2015 was ($1.0) million and ($0.3) million, respectively, compared to ($0.5) million and ($0.1) million, respectively, for the corresponding periods of 2014. The following tables provide a breakdown of finance and other income (loss) for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,			
	2015	2014	$ Change	% Change
Employee future benefit plan expense	**$ (77)**	**$ (48)**	$ (29)	(60%)
Pension administration expense	**(27)**	**(7)**	(20)	(286%)
Investment and other income	**44**	**44**	-	-
Foreign exchange gain (loss)	**(890)**	**(490)**	(400)	(82%)
Finance income (loss) and other	**$ (950)**	**$ (501)**	$ (449)	(90%)

(Expressed in thousands of U.S. dollars)	Year ended December 31,			
	2015	2014	$ Change	% Change
Employee future benefit plan expense	**$ (292)**	**$ (183)**	$ (109)	(60%)
Pension administration expense	**(103)**	**(100)**	(3)	(3%)
Investment and other income	**143**	**139**	4	3%
Foreign exchange gain (loss)	**(53)**	**31**	(84)	(271%)
Finance income (loss) and other	**$ (305)**	**$ (113)**	$ (192)	(170%)

Employee future benefit plan expense for the three months and year ended December 31, 2015 were ($0.1) million and ($0.3) million, respectively, relatively consistent with the corresponding periods of 2014. Employee future benefit plan expense primarily represents the excess of expected interest cost on plan obligations in excess of the expected return on plan assets related to a curtailed defined benefit pension plan for certain former United States employees. Pension administration expense of approximately ($0.1) million for the years ended December 31, 2015 and 2014 represent administrative costs incurred in managing the plan.

Foreign exchange gains (losses) for the three months and year ended December 31, 2015 were ($0.9) million and $0.1 million, respectively, compared to ($0.5) million and nil, respectively, for the corresponding periods of 2014. Foreign exchange gains and losses are attributable primarily to the effect of the changes in the value of the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated net monetary position and on any outstanding foreign exchange currency contracts that are marked to market each reporting period if not qualified for hedge accounting treatment. Foreign exchange gains and losses are also impacted by the conversion of Dantherm Power's assets and liabilities from the Danish Kroner to the U.S. dollar at exchange rates in effect at each reporting date.

Investment and other income for the three months and years ended December 31, 2015 and 2014 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, 2015 was ($0.2) million and ($0.8) million, respectively, compared to ($0.2) million and ($0.9) million, respectively, for the corresponding periods of 2014. Finance expense relates primarily to the sale and leaseback of our head office building in Burnaby, British Columbia which was completed on March 9, 2010. Due to the long term nature of the lease, the leaseback of the building qualifies as a finance (or capital) lease.

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

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

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

Impairment loss on investment for the year ended December 31, 2014 was ($0.1) million and consists of an impairment charge related to our non-core investment in Chrysalix Energy Limited Partnership which was written down in 2014 to its net realizable value of nil.

Net income (loss) attributed to non-controlling interests for the three months and year ended December 31, 2015 was $0.1 million and ($0.8) million, respectively, compared to ($0.6) million and ($1.6) million, respectively, for the corresponding periods of 2014. Amounts primarily represent the non-controlling interest of Dantherm A/S in the losses of Dantherm Power as a result of their 43% total equity interest in Dantherm Power. The improvement in performance at Dantherm Power in 2015, as compared to 2014, is primarily a result of cost reduction efforts combined with an increase in government funding recoveries on research and product development activities.

Net earnings from Discontinued Operations for the year ended December 31, 2014 was $0.3 million and consists of additional proceeds received in the form of a 12-month product credit on the disposition of our former Materials Product division. As a result of the disposition of our Materials Products segment on January 31, 2013, the former Material Products segment has been classified as a discontinued operation in our consolidated financial statements. As such, the operating results of the former Material Products segment have been removed from our results from continuing operations and are instead presented separately in the statement of comprehensive income as income from discontinued operations. The former Materials Product segment sold carbon fiber products primarily for automotive transmissions, and GDL's for fuel cells.

PROTONEX ACQUISITION PURCHASE PRICE ALLOCATION

On October 1, 2015, we completed the acquisition of Protonex, a leading designer and manufacturer of advanced power management products and portable fuel cell solutions. During the fourth quarter of 2015, we completed detailed valuation studies and prepared the preliminary purchase price allocation for Protonex using the acquisition method of accounting in accordance with *IFRS 3 Business Combinations*, with Ballard Power considered as the accounting acquirer and Protonex as the accounting acquiree. As the accounting acquirer, consideration given by Ballard to acquire Protonex has been allocated to the assets acquired, and the liabilities assumed, based on their fair values as of the acquisition date of October 1, 2015.

As consideration for the transaction, we assumed and paid certain of Protonex' debt obligations and transaction costs on closing of approximately $3.8 million, and issued approximately 11.4 million of Ballard shares at fair value of $1.20 per share, or approximately $13.7 million, for total purchase consideration of $17.5 million. In accordance with *IAS 3*, the fair value of the 11.4 million Ballard shares has been measured for accounting purposes using the $1.20 closing price of the Ballard shares on the day immediately preceding the acquisition date.

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

(Expressed in thousands of U.S. dollars)

Fair Value of Assets acquired and Liabilities assumed

		Oct-01-15
Cash and cash equivalents	$	1,464
Accounts receivable		558
Inventory		2,330
Other current assets		167
Property, plant and equipment		1,223
Intangible assets		11,138
Goodwill		4,272
Other long-term assets		22
Accounts payable and accrued liabilities		(2,654)
Deferred revenue		(275)
Capital lease payable		(22)
Accrued warranty obligations		(47)
Payable to Ballard Power		(703)
Other long-term liabilities		(2)
Fair Value (preliminary) of Assets acquired and Liabilities assumed	**$**	**17,471**

The preliminary fair value of each of the acquired identifiable assets and liabilities assumed was determined as follows:

- The fair value of certain of the acquired working capital balances including accounts receivable, other current assets, accounts payable and accrued liabilities and accrued warranty obligations have been assessed at their respective audited carrying amount on September 30, 2015 which is considered to approximately equate to fair value as a result of the short-term to maturity of each of these accounts.
- The fair value of acquired raw material inventory has been assessed at its audited carrying amount on September 30, 2015 which is considered to approximately equate to fair value. A cost-based approach has been used for raw material inventory as market information to utilize a market approach is not available. Furthermore, an audit of Protonex as of September 30, 2015 included a net realizable value assessment of the inventory.
- The fair value of acquired finished goods and work-in-progress inventory has been calculated using the market or income approach. Under this approach, the fair value of the finished goods and work-in-progress inventory has been calculated equal to the estimated selling price of the finished units less the sum of the estimated (i) costs to complete; (ii) costs of disposal, and (iii) a reasonable profit allowance for the completion and selling effort of the acquirer, all of which are estimated from the perspective of a market participant. The fair value of finished goods and work-in-progress inventory of includes a fair value adjustment of $0.1 million from its original audited carrying amount.

- The fair value of other assets, deferred revenues, and capital lease obligations have been assessed at their respective audited carrying amounts on September 30, 2015 as any fair value adjustment would be insignificant.
- Acquired property, plant and equipment consist primarily of specialized manufacturing and research and development equipment, as well as miscellaneous leasehold improvements, computer hardware, computer software and office equipment, all physically located in Protonex' operating facility in Southborough, MA. As there is no market-based evidence of fair value for these specialized assets that are rarely sold other than as part of a continuing business, fair value was estimated using a depreciated replacement cost approach in accordance with *IAS 16*. A depreciated replacement cost approach considers how much it would cost to reproduce an asset after adjusting for depreciation and optimization. The adjustment for depreciation takes into account the age of the asset in relation to its useful life and its residual value. The adjustment for optimization takes into account situations in which the asset is obsolete, over-engineered or has capacity greater than that required. The fair value of property, plant and equipment includes a fair value adjustment of $1.0 million from its original audited net book value carrying amount.
- Acquired identified intangible assets consist of patents, know-how and in-process research and development, customer base and relationships, trademarks and service marks, non-compete arrangements, and domain names. We have concluded that each of the identified intangible assets meet the definition of an identified intangible asset (or non-monetary asset without physical substance) under *IAS 38 Intangible Assets* as the acquired IP meets the definition of an asset and is identifiable. The fair value of all identified intangible assets includes a fair value adjustment of $11.1 million from their original audited carrying amount.

(Expressed in thousands of U.S. dollars)

Fair Value of Identified Intangible Assets		**Amount**	**Amortization Period**
Patents, know-how and in-process research & development	$	8,973	20-years
Customer base and relationships		986	10-years
Trademarks and service marks		1,135	15-years
Non-compete agreements		27	1-year
Domain names		17	15-years
Fair Value (preliminary) of Identified Intangible Assets	**$**	**11,138**	

The preliminary fair value of acquired identified intangible assets were calculated with the assistance of an independent valuator and were determined through a variety of valuation techniques.

- The fair value of the acquired product and patent portfolio including know-how and in-process R&D totaling $9.0 million has been calculated using the Relief from Royalty approach which is a variant of the Income Approach. The application of the Relief from Royalty approach involves estimating the value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted or 'relieved' from paying. The method entails the determination of the avoided cost as if the Company did not own any patents, and instead was required to make royalty payments for their use. The basic tenet of this method is that without the ownership of the subject intangible asset, the user of that intangible asset would have to make payments to the owner in return for the rights to use it.

- The fair value of the acquired customer contracts and relationships totaling $1.0 million has been calculated using the Multi-Period Excess Earnings Method ("MPEEM") approach which is a variant of the Income Approach. The basic principle of the MPEEM Approach is that a single asset, in isolation, is not capable of generating cash flow for an enterprise. Several assets are brought together and exploited to generate cash flow. Therefore, to determine cash flow from the exploitation of existing customer contracts/relationships, one must deduct the related expenses incurred for the exploitation of other assets used for the generation of overall cash flow and revenues. The fair value of existing customer contracts/relationships was estimated by discounting the net cash flow derived from the expected revenues attributable to the acquired customer contracts/relationships.
- The fair value of the acquired trademarks and service marks totaling $1.1 million has been calculated using the Price Premium approach which is a variant of the Income Approach as reasonable market data to enable use of the Relief of Royalty approach was not available. Under the Price Premium approach, the Company is expected to be able to charge a minimal price premium (vis-à-vis competitors) attributable to the acquired trademarks/trade names.
- The fair value of the acquired non-compete covenants were nominal and were calculated using the Income Approach whereby the fair value of the non-compete covenants was estimated by calculating the expected decrease or loss in forecasted cash flows if the employees compete with the target's business sans the non-compete covenants.
- The fair value of the acquired website and domain names were nominal and were calculated using the Replacement Cost Approach which considers the value based on the cost of reproducing or replacing the asset.

The remaining unallocated $4.3 million of the total purchase price consideration of $17.5 million has been ascribed as Goodwill. The goodwill of $4.3 million resulting from the acquisition consists largely of the expectation that the acquisition will complement the Corporation's Fuel Cell Products and Services growth platform by delivering strategic benefits in diversification, growth, scale, and profitability.

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, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Revenues from continuing operations	$ 19,986	$ 16,037	$ 11,177	$ 9,263
Net income (loss) attributable to Ballard from continuing operations	$ (1,355)	$ (4,135)	$ (7,342)	$ 7,017
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.01)	$ (0.03)	$ (0.06)	$ 0.05
Weighted average common shares outstanding	155,188	141,253	132,595	132,276
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Revenues	$ 15,647	$ 20,611	$ 18,471	$ 13,992
Net income (loss) attributable to Ballard	$ (17,467)	$ (2,423)	$ (4,457)	$ (3,841)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.13)	$ (0.02)	$ (0.03)	$ (0.03)
Weighted average common shares outstanding	132,104	132,049	130,392	114,756

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

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

  Variations in fuel cell revenues also reflect the timing of work performed and the achievements of milestones under long-term fixed price contracts including the contract with Volkswagen which commenced in the first quarter of 2013, the Azure Bus Licensing Agreement which commenced in the third quarter of 2013 and the Azure Telecom Backup Power Licensing Agreement which commenced in the second quarter of 2014 prior to breaches by Azure of both the Azure Bus Licensing Agreement and the Azure Telecom Backup Power Licensing Agreement in the fourth quarter of 2014. Revenues were positively impacted as of the fourth quarter of 2015 by the acquisition and integration of Protonex on October 1, 2015.

- **Operating expenditures**: Operating expenses were negatively impacted as of the fourth quarter of 2015 by the acquisition and integration of Protonex on October 1, 2015, including the incurrence of acquisition related expenses totaling $1.5 million incurred in the second and third quarters of 2015. Operating expenses were positively impacted in the first quarter of 2015 by net recoveries of previously impaired trade receivables of $1.0 million. Operating expenses were negatively impacted in the fourth quarter of 2014 by impairment losses on trade receivables of ($6.2) million consisting of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) million related to non-collection of certain of our customers primarily in Asia. Impairment losses on trade receivables are recognized in other income (expense). Operating expenses also include the impact of changes in the value of the Canadian dollar, versus the U.S. dollar, on our Canadian dollar denominated expenditures.

- **Net income (loss):** The net income for the first quarter of 2015 was positively impacted by a gain on sale of intellectual property of $14.2 million resulting from the sale of the automotive-related patents and patent applications of the UTC Portfolio transferred to Volkswagen on the closing of the initial tranche of the Volkswagen IP Agreement. Net income for the fourth quarter of 2015 was positively impacted by a gain on sale of intellectual property of $5.4 million resulting from the sale of a copy of the automotive-related know-how of the UTC Portfolio to Volkswagen on the closing of the second and final tranche of the Volkswagen IP Agreement.

CASH FLOWS

Cash, cash equivalents and short-term investments were $40.0 million at December 31, 2015, compared to $23.7 million at December 31, 2014. The $16.4 million increase in cash, cash equivalents and short-term investments in 2015 was driven by net proceeds on the sale of intellectual property of $29.5 million received on the closing of the initial tranche of the Volkswagen IP Agreement, combined with net proceeds from the July 2015 Offering of $13.3 million, net proceeds from the Nisshinbo strategic equity investment of $5.0 million, net proceeds from share purchase warrant exercises of $0.2 million and employee share purchase option proceeds of $0.4 million. These inflows were partially offset by a net loss (excluding non-cash items) of ($19.3) million, working capital outflows of ($6.0) million, purchases in property, plant and equipment of ($2.3) million, the acquisition of Protonex of ($3.8) million partially offset by acquired Protonex cash of $1.5 million, and investments in fuel cell technology intangible assets of ($1.6) million.

For the three months ended December 31, 2015, cash used by operating activities was ($10.6) million, consisting of cash operating losses of ($4.6) million and net working capital outflows of ($5.9) million. For the three months ended December 31, 2014, cash used by operating activities was ($8.2) million, consisting of cash operating losses of ($10.8) million partially offset by net working capital inflows of $2.6 million. The ($2.4) million increase in cash used by operating activities in the fourth quarter of 2015, as compared to the fourth quarter of 2014, was driven by the relative increase in working capital requirements of ($8.6) million, partially offset by the relative reduction in cash operating losses of $6.2 million. The $6.2 million reduction in cash operating losses in the fourth quarter of 2015 was due primarily to the $13.1 million reduction in Adjusted EBITDA loss, partially offset by lower impairment losses on trade receivables of ($6.1) million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses.

In the fourth quarter of 2015, net working capital cash outflows of ($5.9) million were driven by higher accounts receivable of ($2.2) million primarily as a result of the timing of Portable Power and Heavy-Duty Motive revenues and the related customer collections, by lower accounts payable and accrued liabilities of ($1.8) million due primarily to the timing of purchases and supplier payments including the payment of acquisition and transaction related costs incurred on the Protonex acquisition, and by lower deferred revenue of ($1.5) million as we completed the contract work on certain Technology Solutions, Heavy-Duty Motive and government grant contracts for which we received pre-payments in an earlier period. Working capital inflows of $2.6 million in the fourth quarter of 2014 was due to higher accrued warranty provisions of $3.5 million primarily as a result of an adjustment for an expected increase in customer service related expenses in our Telecom Backup Power market in Asia, combined with lower inventory of $2.6 million as we shipped product purchased and built in prior quarters. These fourth quarter of 2014 working capital inflows were partially offset by lower accounts payable and accrued liabilities of ($3.7) million as a result of increased supplier payments made for higher inventory purchases in the first three quarters of 2014 and by a downward adjustment to accrued cash-based compensation expense in the fourth quarter of 2014.

For the year ended December 31, 2015, cash used in operating activities was ($25.4) million, consisting of cash operating losses of ($19.3) million and net working capital outflows of ($6.0) million. For the year ended December 31, 2014, cash used in operating activities was ($20.7) million, consisting of cash operating losses of ($15.7) million and net working capital outflows of ($5.0) million. The ($4.7) million increase in cash used by operating activities in 2015, as compared to 2014, was driven by the relative increase in cash operating losses of ($3.6) million, combined with the relative increase in working capital requirements of ($1.0) million. The ($3.6) million increase in cash operating losses in 2015 was due primarily to lower impairment losses on trade receivables of ($5.8) million which while included in the Adjusted EBITDA loss, are excluded from cash operating losses, partially offset by the $3.4 million reduction in Adjusted EBITDA loss.

In 2015, net working capital outflows of ($6.0) million were driven by higher inventory of ($5.6) million primarily to support expected Heavy-Duty Motive and Power Products shipments in the first quarter of 2016 to Synergy, the U.S. Army and other customers and as a result of delayed but expected Telecom Backup Power system shipments, by lower accrued warranty provisions of ($3.6) million due primarily to customer service related expenses incurred in our Telecom Backup Power market in Asia and by Heavy-Duty Motive warranty contract expirations, and by lower accounts payable and accrued liabilities of ($1.3) million due primarily to the timing of purchases and supplier payments. These 2015 working capital outflows were partially offset by higher deferred revenue of $4.0 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed. Working capital outflows of ($5.0) million in 2014 was driven by lower accounts receivable of ($4.1) million primarily as a result of impairment losses on trade receivables of ($6.2) million and the timing of Technology Solutions, Heavy-Duty Motive and Telecom Backup Power revenues and the related customer collections, and by lower deferred revenue of ($4.4) million as we completed the contract work on Technology Solutions and certain government grant contracts for which we received prepayments in an earlier period. These working capital outflows in 2014 were partially offset by working capital inflows related to higher accrued warranty provisions of $2.4 million primarily as a result of an adjustment for an expected increase in customer service related expenses in our Telecom Backup Power market in Asia, and by lower inventory of $1.5 million as we shipped product purchased and built in prior quarters.

Investing activities resulted in net cash inflows (outflows) of ($3.6) million and $23.3 million, respectively, for the three months and year ended December 31, 2015, compared to cash outflows ($0.5) million and ($4.2) million, respectively, for the corresponding periods of 2014. Investing activities in 2015 of $23.2 million consist primarily of net proceeds on the sale of intellectual property of $29.5 million received on the closing of the initial tranche of the Volkswagen IP Agreement, partially offset by capital expenditures of ($2.3) million, by the acquisition of Protonex of ($3.8) million partially offset by acquired Protonex cash of $1.5 million, and by investments in fuel cell technology intangible assets of ($1.6) million. Investing activities in 2014 of ($4.2) million consist primarily of the investment in fuel cell technology intangible assets of ($3.4) million related primarily to the acquisition and integration of the UTC intellectual property assets, and capital expenditures of ($0.8) million.

Financing activities resulted in cash inflows of $4.9 million and $18.1 million, respectively, for the three months and year ended December 31, 2015 compared to cash (outflows) inflows of ($0.2) million and $18.5 million for the corresponding periods of 2014. Financing activities in 2015 of $18.1 million consist of net proceeds received from the July 2015 Offering of $13.4 million, net proceeds from the November 2015 Nisshinbo strategic equity investment of $5.0 million, net proceeds from share purchase warrant exercises of $0.2 million, proceeds from employee share purchase option exercises of $0.4 million, partially offset by capital lease payments of ($0.8) million. Financing activities in 2014 of $18.5 million consist of net proceeds from share purchase warrant exercises of $12.3 million, proceeds from employee share purchase option exercises of $6.8 million, proceeds on sale of treasury shares of $0.4 million, partially offset by capital lease payments of ($0.9) million.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, we had total Liquidity of $40.0 million. We measure Liquidity as our net cash position, consisting of the sum of our cash, cash equivalents and short-term investments of $40.0 million, net of amounts drawn on our $7 million Canadian demand revolving facility (“Operating Facility”) of nil. The Operating Facility is occasionally used to assist in financing our short term working capital requirements and is secured by a hypothecation of our cash, cash equivalents and short-term investments. Our Liquidity position was subsequently augmented in February 2016 by approximately $3.3 million (Canadian $4.6 million) as we reached payment under a settlement agreement with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement. Our Liquidity position is expected to be further augmented in 2016 by the additional net proceeds receivable of approximately $9 million due from the sale of the automotive-related know-how of the UTC Portfolio to Volkswagen pursuant to the Volkswagen IP Agreement.

We also have a $1.8 million Canadian capital leasing facility (“Leasing Facility”) which is occasionally used to finance the acquisition and / or lease of operating equipment and is secured by a hypothecation of our cash, cash equivalents and short-term investments. At December 31, 2015, $0.7 million Canadian was outstanding on the Leasing Facility.

Our Liquidity objective is to maintain cash balances sufficient to fund at least six quarters of forecasted cash used by operating activities at all times. Our strategy to attain this objective is to continue our drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on Fuel Cell Products and Services revenue growth, improving overall gross margins, minimizing Cash Operating Costs, managing working capital requirements, and securing additional financing to fund our operations as needed until we do achieve profitable operations that are sustainable. As a result of our recent actions to bolster our cash balances including the net proceeds received, and receivable, pursuant to the Volkswagen IP Agreement, the July 2015 Offering, the November 2015 Nisshinbo equity investment, and the settlement of the Superior Plus Indemnity Agreement, we believe that we have adequate liquidity in cash and working capital to meet this Liquidity objective and to finance our operations.

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

In addition to our existing cash reserves of $40.0 million at December 31, 2015, there are 0.1 million warrants outstanding (expire on March 27, 2018) from the March 2013 underwritten offering each of which enables the holder to purchase one common share at a fixed price of $1.50 per common share, and 1.7 million warrants outstanding (expire on October 9, 2018) from the October 2013 underwritten offering each of which enable the holder to purchase one common share at a fixed price of $2.00 per common share. If any of these warrants are exercised, our liquidity position would be further augmented. We may also choose to pursue additional liquidity through the issuance of debt or equity in private or public market financings. To enable such an action and to allow the exercise of warrants, we filed a short form base shelf prospectus (“Prospectus”) in May 2014 in each of the provinces and territories of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 (“Registration Statement”) with the United States Securities and Exchange Commission. These filings enable offerings of equity securities during the effective period (to June 2016) of the Prospectus and Registration Statements. However, no assurance can be given that any such additional liquidity will be available or that, if available, it can be obtained on terms favorable to the Company.

2016 BUSINESS OUTLOOK

In 2016, we expect to grow revenue, improve gross margin and rationalize certain operating costs. We expect to see revenue growth in our Heavy-Duty Motive market as well as a full-year contribution from our Portable Power market. On gross margin improvement, we plan to generate further product cost reductions and improve operating efficiencies while realizing benefits from expected increased volumes and improved product mix, including important contributions from Portable Power, Technology Solutions and Heavy-Duty Motive. Finally, on operating costs, we have initiated a review of strategic alternatives for our Telecom Backup Power business and will rationalize our Telecom Backup Power and executive team cost structures in 2016.

Given the early stage of fuel cell market development and adoption rate and consistent with 2015, we have decided not to provide specific revenue and Adjusted EBITDA guidance for 2016. While our strategic focus on multiple fuel cell product markets, engineering services and intellectual property monetization serves to mitigate risk, the resulting cadence in customer demand can be uneven through the early stages of market development. As such, our financial results on a quarterly basis are subject to a high degree of variability.

Our outlook for 2016 is based on our internal forecast which reflects an assessment of overall business conditions and takes into account actual sales and financial results in the first six weeks of 2016, sales orders received for units and services to be delivered in the remainder of 2016, an estimate with respect to the generation of new sales and the timing of deliveries in each of our markets for the balance of 2016, and assumes an average U.S. dollar exchange rate in the low 70's in relation to the Canadian dollar for the remainder of 2016. The primary risk factors to our business outlook expectations for 2016 are delays from forecast in terms of closing and delivering expected sales primarily in our Heavy-Duty Motive and Portable Power markets, potential adverse macro-economic conditions negatively impacting our Chinese customer's access to capital and program plans which could adversely impact our Heavy-Duty market, potential disruptions in the Material Handling market as a result of our reliance on a single customer in this market and that customer's internal stack development and commercialization plans, and fluctuations in the Canadian dollar, relative to the U.S. dollar, as a significant portion of our Technology Solutions revenues (including the technology development and engineering services agreement with Volkswagen) are priced in Canadian dollars.

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

OFF-BALANCE SHEET ARRANGEMENTS & CONTRACTUAL OBLIGATIONS

Periodically, we use forward foreign exchange and forward platinum purchase contracts to manage our exposure to currency rate fluctuations and platinum price fluctuations. We record these contracts at their fair value as either assets or liabilities on our balance sheet. Any changes in fair value are either (i) recorded in 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, 2015, we had outstanding foreign exchange currency contracts to purchase a total of Canadian $10.8 million at an average rate of 1.33 Canadian per U.S dollar, resulting in an unrealized loss of ($0.3) million at December 31, 2015. The outstanding foreign exchange currency contracts are not qualified under hedge accounting.

At December 31, 2015, 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, 2015, we had the following contractual obligations and commercial commitments:

(Expressed in thousands of U.S. dollars)		Payments due by period,			
Contractual Obligations	**Total**	Less than one year	1-3 years	4-5 years	After 5 years
Operating leases	**$ 11,447**	$ 2,409	$ 4,532	$ 2,616	$ 1,890
Capital leases	**10,536**	1,524	2,014	2,167	4,830
Asset retirement obligations	**4,245**	-	-	-	4,245
Total contractual obligations	**$ 26,228**	$ 3,993	$ 6,546	$ 4,783	$ 10,965

In addition, we have outstanding commitments of $0.4 million related primarily to purchases of capital assets at December 31, 2015. Capital expenditures pertain to our regular operations and are expected to be funded through cash on hand.

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

As at December 31, 2015, we retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of Canadian $5.4 million) on sales of certain fuel cell products for commercial distributed utility applications. No royalties have been incurred to date as a result of this agreement. We also retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of Canadian $2.2 million) on sales of certain fuel cell products for commercial transit applications. No royalties have been incurred to date as a result of this agreement.

In the ordinary course of business or as required by certain acquisition or disposition agreements, we are periodically required to provide certain indemnities to other parties.

Our Arrangement with Superior Plus included an Indemnity Agreement which set out each party's continuing obligations to the other. The Indemnity Agreement included two basic elements to the final determination date of December 31, 2015: it provided for the indemnification of each party by the other for breaches of representations and warranties or covenants as well as, in our case, any liability relating to our business which is suffered by Superior Plus. Our indemnity to Superior Plus with respect to our representation relating to the existence of our tax pools immediately prior to the completion of the Arrangement is limited to an aggregate of Canadian $7.4 million with a threshold amount of Canadian $0.5 million before there is an obligation to make a payment. Second, the Indemnity Agreement provided for adjustments to be paid by us, or to us, depending on the final determination of the amount of our Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. In 2015, we reached agreement and signed mutual releases with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement and received additional cash proceeds of approximately $3.3 million (Canadian $4.6 million) in February 2016. The cash proceeds receivable have been recorded as a credit to shareholders' equity as of December 31, 2015 consistent with the accounting treatment for the original transaction in 2008.

At December 31, 2015, we have not accrued any other amount owing, or receivable, as a result of any other indemnity agreements undertaken in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in either us or Dantherm Power, together with their subsidiaries and affiliates. Revenues and costs recognized from such transactions reflect the prices and terms of sale and purchase transactions with related parties, which are in accordance with normal trade practices at fair value. For the three months and year ended December 31, 2015 and 2014, related party transactions and balances are limited to transactions between Dantherm Power and its non-controlling interests as follows:

(Expressed in thousands of U.S. dollars)	Three Months Ended December 31,	
Transactions with related parties	**2015**	2014
Purchases	$ **61**	$ 39
Finance expense on Dantherm Power debt to Dantherm Power non-controlling interests	**$ 8**	$ 8

(Expressed in thousands of U.S. dollars)	Year Ended December 31,	
Transactions with related parties	**2015**	2014
Purchases	**$ 172**	$ 175
Finance expense on Dantherm Power debt to Dantherm Power non-controlling interests	**$ 30**	$ 34

(Expressed in thousands of U.S. dollars)	As at December 31,	
Balances with related parties	**2015**	2014
Trade accounts payable	**$ 24**	$ 70
Interest payable	**$ 69**	$ 45
Dantherm Power debt to Dantherm Power non-controlling interests	**$ 433**	$ 484

As at December 31, 2015, Ballard holds a controlling 57% ownership interest in Dantherm Power as compared to a 43% interest held by Dantherm A/S. Ballard's ownership position increased in mid-June 2015 from 52% to 57% when pursuant to a mutual release agreement, Azure returned its 10% ownership position in Dantherm Power to Dantherm Power for nil proceeds, upon which the shares were cancelled by Dantherm Power. As of December 31, 2015, the outstanding Dantherm Power debt (including interest) to Dantherm Power's non-controlling interests totals $0.5 million, bears interest at 6.0% per annum, is non-convertible, and is repayable by December 31, 2016.

OUTSTANDING SHARE DATA

As at February 24, 2016	
Common share outstanding	156,839,687
Warrants outstanding	1,797,563
Options outstanding	5,503,000
DSU's outstanding	917,625
RSU's outstanding (subject to vesting criteria)	1,708,626

CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Our significant accounting policies are detailed in note 4 to our annual consolidated financial statements for the year ended December 31, 2015.

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

REVENUE RECOGNITION

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

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

On standard licensing and sale agreements, revenues are recognized on the transfer of the rights to the licensee if (i) the rights to the assets are assigned to the licensee in return for a fixed fee or a non-refundable guarantee; (ii) the contract is non-cancellable; (iii) the licensee is able to exploit its rights to the asset freely; and (iv) the Company has no remaining obligations to perform. Otherwise, the proceeds are considered to relate to the right to use the asset over the license period and the revenue is recognized over that period. Revenue recognition for license and sale agreements does not usually involve significant estimates.

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

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

- The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as variances in the timeline to completion, the cost of materials, the availability and cost of labour, as well as productivity.
- The determination of potential revenues includes the contractually agreed amount and may be adjusted based on the estimate of our attainment on achieving certain defined contractual milestones. Management's estimation is required in determining the probability that the revenue will be received and in determining the measurement of that amount.

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

During the three months and year ended December 31, 2015 and 2014, there were no material adjustments to revenues relating to revenue recognized in a prior period.

ASSET IMPAIRMENT

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

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

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

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

We perform the annual review of goodwill as at December 31 of each year, more often if events or changes in circumstances indicate that it might be impaired. Under IFRS, the annual review of goodwill requires a comparison of the carrying value of the asset to the higher of (i) value in use; and (ii) fair value less costs to sell**.** Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state. As of December 31, 2015, our consolidated goodwill balance of $40.6 million relates solely to our Fuel Cell Products and Services segment. Based on the impairment test performed as at December 31, 2015, we have concluded that no goodwill impairment charge is required for the year ending December 31, 2015. Details of our 2015 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, 2015 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 and Services segment. As a result of this assessment, we have determined that the fair value of the Fuel Cell Products and Services segment exceeds its carrying value as of December 31, 2015 indicating that no impairment charge is required for 2015.

- In addition to this fair value test, we also performed a value in use test on our Fuel Cell Products and Services segment that compared the carrying value of the segment to the present value of future cash flows expected to be derived from the segment. The principal factors used in this discounted cash flow analysis requiring significant estimation are the projected results of operations, the discount rate based on the weighted average cost of capital ("WACC"), and terminal value assumptions. Our value in use test was based on a WACC of 15%; an average estimated compound annual growth rate of approximately 27% from 2016 to 2021; and a terminal year EBITDA multiplied by a terminal value multiplier of 10. Our value in use assessment resulted in an estimated fair value for the Fuel Cell Products and Services segment that is consistent with that as determined under the above fair value, less costs to sell, assessment. As a result of this assessment, we have determined that the fair value of the Fuel Cell Products segment exceeds its carrying value by a significant amount as of December 31, 2015 indicating that no impairment charge is required in 2015.

In addition to the above goodwill impairment test, we perform a quarterly assessment of the carrying amounts of our non-financial assets (other than inventories) to determine whether there is any indication of impairment. During the three months and years ended December, 2015 and 2014, there was no material adjustments to non-financial assets (other than inventories) relating to these reviews.

WARRANTY PROVISION

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liabilities, we estimate the likelihood that products sold will experience warranty claims and the cost to resolve claims received.

In making such determinations, we use estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, we may incur costs different from those provided for in our warranty provisions. During the three months and year ended December 31, 2015, we recorded provisions to accrued warranty liabilities of $0.3 million and $0.9 million, respectively, for new product sales, compared to $0.5 million and $1.0 million, respectively, for the three months and year ended December 31, 2014.

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, 2015 were adjusted downwards by a net amount of $0.5 million and $1.3 million, respectively, compared to a net adjustment (upwards) downwards of ($3.7) million and ($3.5) million for the three months and year ended December 31, 2014. The adjustments to the accrued warranty liability provisions in 2015 were due primarily due to contractual warranty expirations and improved lifetimes and reliability of our Heavy-Duty Motive and Telecom Backup Power products, whereas the negative adjustments to the accrued warranty liability provisions in 2014 were primarily due to an increase in customer service related expenses for our Telecom Backup Power products in Asia.

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, 2015, negative inventory adjustments of ($0.4) million and ($0.6) million, respectively, were recorded as a charge to cost of product and service revenues, compared to negative inventory adjustments of ($0.6) million and ($1.3) million, respectively, for the three months and year ended December 31, 2014.

IMPAIRMENT RECOVERIES (LOSSES) ON TRADE RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. In determining the fair value of our trade and other receivables and establishing the appropriate provision for doubtful accounts, we perform regular reviews to estimate the likelihood that our trade and other accounts receivable will ultimately be collected in a timely manner. Where we determine that customer collectability issues have occurred and will have a negative impact on the value of trade and other receivables, appropriate provisions are made. If there is a subsequent recovery in the value of trade and other receivables, reversals of previous write-downs to fair value are made. Unforeseen changes in these factors could result in additional impairment provisions, or reversals of previous impairment provisions, being required. During the three months and year ended December 31, 2015, net impairment recoveries on trade receivables of nil and $0.9 million, respectively, were recorded as other operating income, compared to compared to net impairment (charges) of ($6.2) million and ($6.2) million, respectively, for the three months and year ended December 31, 2014.

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, 2015 and 2014, we have not recorded any deferred income tax assets on our consolidated statement of financial position.

NEW AND FUTURE IFRS ACCOUNTING POLICIES

Recently Adopted Accounting Policy Changes:

We did not adopt any new accounting standard changes or amendments effective January 1, 2015 that had a material impact on our consolidated financial statements.

Future Accounting Policy Changes:

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

IFRS 11 (Amendments) – BUSINESS COMBINATION ACCOUNTING FOR INTERESTS IN A JOINT OPERATION

On May 6, 2014, the IASB issued amendments to *IFRS 11 Accounting for Acquisitions of Interests in Joint Operations* . The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt the amendments to IFRS 11 in its financial statements for the fiscal year beginning on January 1, 2016. We do not expect the amendments to have a material impact on the financial statements.

IAS 16 and IAS 38 (Amendments) – METHODS OF DEPRECIATION AND AMORTIZATION

On May 12, 2014, the IASB issued amendments to *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets*. The amendment made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the fiscal year beginning on January 1, 2016. We do not expect the amendments to have a material impact on the financial statements.

ANNUAL IMPROVEMENTS TO IFRS (2012 – 2014) CYCLE

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits; and
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting;

The amendments will apply for annual periods beginning on or after January 1, 2016. Each of the amendments has its own specific transition requirements. The Corporation intends to adopt the amendments in its financial statements for the fiscal year beginning on January 1, 2016. We do not expect the amendments to have a material impact on the financial statements.

IAS 1 (Amendments) - DISCLOSURE INITIATIVE

On December 18, 2014, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the fiscal year beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

The new standard is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption. The Corporation intends to adopt IFRS 15 in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 – FINANCIAL INSTRUMENTS

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

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

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

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

IFRS 16 – LEASES

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

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

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

SUPPLEMENTAL NON-GAAP MEASURES

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

Cash Operating Costs

This supplemental non-GAAP measure is provided to assist readers in determining our operating costs on a cash basis. We believe this measure is useful in assessing performance and highlighting trends on an overall basis.

We also believe Cash Operating Costs is frequently used by securities analysts and investors when comparing our results with those of other companies. Cash Operating Costs differs from the most comparable GAAP measure, operating expenses, primarily because it does not include stock-based compensation expense, depreciation and amortization, impairment losses or recoveries on trade receivables, restructuring charges, acquisition costs, and financing charges. The following tables show a reconciliation of operating expenses to Cash Operating Costs for the three months and year ended December 31, 2015 and 2014:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Cash Operating Costs	**2015**	2014	$ Change
Total Operating Expenses	**$ 9,303**	**$ 14,659**	$ (5,356)
Stock-based compensation (expense) recovery	**(248)**	**367**	(615)
Impairment recovery (losses) on trade receivables	**39**	**(6,159)**	6,198
Acquisition and integration costs	**(902)**	**-**	(902)
Restructuring (charges) recovery	**-**	**(78)**	78
Financing charges	**-**	**-**	-
Depreciation and amortization	**(463)**	**(958)**	495
Cash Operating Costs	**$ 7,729**	**$ 7,831**	$ (102)

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Cash Operating Costs	**2015**	2014	$ Change
Total Operating Expenses	**$ 34,858**	**$ 38,300**	$ (3,442)
Stock-based compensation expense	**(2,949)**	**(2,249)**	(700)
Impairment recovery (losses) on trade receivables	**899**	**(6,206)**	7,105
Acquisition and integration costs	**(1,542)**	**-**	(1,542)
Restructuring (charges) recovery	**13**	**(85)**	98
Financing charges	**-**	**-**	-
Depreciation and amortization	**(2,229)**	**(3,393)**	1,164
Cash Operating Costs	**$ 29,050**	**$ 26,367**	$ 2,683

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 for the three months and year ended December 31, 2015 and 2014:

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
EBITDA and Adjusted EBITDA	**2015**	2014	$ Change
Net (loss) from continuing operations attributable to Ballard	**$ (1,355)**	**$ (17,467)**	**$** 16,112
Depreciation and amortization	**1,536**	**1,448**	88
Finance expense	**208**	**234**	(26)
Income taxes	**(1)**	**(477)**	476
EBITDA attributable to Ballard	**$ 388**	**$ (16,262)**	$ 16,650
Stock-based compensation expense (recovery)	**248**	(367)	615
Acquisition and integration costs	**902**	-	902
Finance and other (income) loss	**950**	501	449
Gain on sale of intellectual property	**(5,424)**	-	(5,424)
Loss on sale of property, plant and equipment	**-**	71	(71)
Adjusted EBITDA	**$ (2,936)**	$ (16,057)	$ 13,121

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
EBITDA and Adjusted EBITDA	**2015**	2014	$ Change
Net (loss) from continuing operations attributable to Ballard	**$ (5,815)**	$ (28,188)	$ 22,373
Depreciation and amortization	**4,375**	5,610	(1,235)
Finance expense	**794**	942	(148)
Income taxes	**211**	417	(206)
EBITDA attributable to Ballard	**$ (435)**	$ (21,219)	$ 20,784
Stock-based compensation expense	**2,949**	2,249	700
Acquisition and integration costs	**1,542**	-	1,542
Finance and other (income) loss	**305**	113	192
Gain on sale of intellectual property	**(19,619)**	-	(19,619)
Impairment of equity investment	**-**	149	(149)
Loss (gain) on sale of property, plant and equipment	**(1)**	73	(74)
Adjusted EBITDA	**$ (15,259)**	$ (18,635)	$ 3,376

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 impairment losses or recoveries on trade receivables, transactional gains and losses, asset impairment charges, and acquisition costs. The following table shows a reconciliation of net loss attributable to Ballard from continuing operations to Normalized Net Loss for the three months and year ended December 31, 2015 and 2014.

(Expressed in thousands of U.S. dollars)	Three months ended December 31,		
Normalized Net Loss	**2015**	2014	$ Change
Net (loss) attributable to Ballard from continuing operations	**$ (1,355)**	$ (17,467)	**$** 16,112
Impairment loss (recovery) on trade receivables	**(39)**	6,159	(6,198)
Acquisition and integration costs	**902**	-	902
Gain on sale of intellectual property	**(5,424)**	-	(5,424)
Normalized Net Loss	**$ (5,916)**	$ (11,308)	$ 5,392
Normalized Net Loss per share	**$ (0.04)**	$ (0.09)	$ 0.05

(Expressed in thousands of U.S. dollars)	Year ended December 31,		
Normalized Net Loss	**2015**	2014	$ Change
Net (loss) attributable to Ballard from continuing operations	**$ (5,815)**	$ (28,188)	$ 22,373
Impairment loss (recovery) on trade receivables	**(899)**	6,206	(7,105)
Impairment of equity investment	**-**	149	(149)
Acquisition and integration costs	**1,542**	-	1,542
Gain on sale of intellectual property	**(19,619)**	-	(19,619)
Normalized Net Loss	**$ (24,791)**	$ (21,833)	$ (2,958)
Normalized Net Loss per share	**$ (0.18)**	$ (0.17)	$ (0.01)

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

Disclosure controls and procedures

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

As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including the CEO and the CFO, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a–15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). The CEO and CFO have concluded that as of December 31, 2015, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein, and accumulated and reported to management to allow timely discussions regarding required disclosure.

Internal control over financial reporting

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

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

Management, including the CEO and CFO, have evaluated the effectiveness of internal control over financial reporting, as defined in Rules 13a–15(f) of the Exchange Act, in relation to criteria described in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, Management has determined that internal control over financial reporting was effective as of December 31, 2015.

As Protonex was acquired in the last 365 days, we have limited the scope of our design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Protonex. Summary financial information of Protonex consolidated in our year ended December 31, 2015 consolidated financial statements are as follows:

Select Protonex financial information	
(Expressed in thousands of U.S. dollars)	**2015**
Revenues	$ 3,397
Cash Operating Costs (1)	$ 1,518
Adjusted EBITDA (1)	$ (260)
Net loss	$ (652)
Cash used by operating activities	$ (2,363)
Cash and cash equivalents	$ 303
Total assets	$ 17,802

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.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

Changes in internal control over financial reporting

During the year ended December 31, 2015, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Our design of disclosure controls and procedures and internal controls over financial reporting includes controls, policies and procedures covering Dantherm Power.

RISKS & UNCERTAINTIES

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

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

- We may not be able to achieve commercialization of our products on the timetable we anticipate, or at all;
- We expect our cash reserves will be reduced due to future operating losses and working capital requirements, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary;
- A mass market for our products may never develop or may take longer to develop than we anticipate;
- We have limited experience manufacturing fuel cell products on a commercial basis;
- Warranty claims could negatively impact our gross margins and financial performance;
- We may not be able to successfully execute our business plan;
- Global macro-economic conditions are beyond our control and may have an adverse impact on our business or on our key suppliers and / or customers;
- In our Heavy-Duty Motive market, we depend on Chinese customers for a majority of our revenues. Global macro-economic conditions, including significant and recent volatility in China's capital markets, may adversely impact our Chinese customer's access to capital and program plans which could adversely impact our business;
- In our Technology Solutions market, we depend on a single customer for the majority of our revenues;

- In our Material Handling market, we depend on a single customer for the majority of our revenues and on that customer's internal stack development and commercialization plans;
- We may not be able to successfully conclude and realize any benefits or value from our ongoing review of strategic alternatives for our Telecom Backup Power business;
- In our Portable Power market, defense spending volatility could have an adverse impact on our business;
- In our Portable Power market, defense acquisition process changes could have an adverse impact on our business;
- 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 expected 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) as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Words such as "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will", the negatives of these words or other variations thereof and comparable terminology are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

In particular, these forward-looking statements are based on certain factors and assumptions relating to our expectations with respect to the generation of new sales, producing, delivering and selling the expected product and service volumes at the expected prices, controlling our costs, and obtaining the expected benefits arising from the Protonex acquisition. They are also based on a variety of general factors and assumptions including, but not limited to, our expectations regarding product development efforts, manufacturing capacity, product and service pricing, market demand, and the availability and prices of raw materials, labour and supplies. These assumptions have been derived from information available to the Company including information obtained by the Company from third parties. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from the results expressed, implied or forecasted in such forward-looking statements include, but are not limited to: the condition of the global economy; the rate of mass adoption of our products; changes in product or service pricing; changes in our customers' requirements, the competitive environment and related market conditions; product development delays; changes in the availability or price of raw materials, labour and supplies; our ability to attract and retain business partners, suppliers, employees and customers; changing environmental regulations including subsidies or incentives associated with the adoption of clean energy products; our access to funding and our ability to provide the capital required for product development, operations and marketing efforts, and working capital requirements; our ability to protect our intellectual property; risks relating to the Company's successful integration of Protonex and its operations, such as the loss of key personnel due to the transaction, the disruption to the operations of the Company and Protonex' respective businesses, the cost of integration exceeding that projected by Ballard, and the integration failing to achieve the expected benefits of the transaction; risks related to our ongoing strategic review of our telecom backup power business, including our ability to identify, pursue and realize the benefits of strategic alternatives being explored by us (which could include possible joint ventures, strategic partnerships or alliances, a sale of the business or other possible transactions), as well as the risk that uncertainty relating to the strategic review process may impact our business, existing and future relationships with business partners and customers, and ability to attract and retain key employees; the magnitude of the rate of change of the Canadian dollar versus the U.S. dollar; and the general assumption that none of the risks identified in the Risks and Uncertainties section of this report or in our most recent Annual Information Form will materialize. Readers should not place undue reliance on Ballard's forward-looking statements.

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



BALLARD POWER SYSTEMS INC.

ANNUAL INFORMATION FORM

FEBRUARY 25, 2016

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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", "could", "should", "will", the negatives of these words or other variations thereof and comparable terminology are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those forward-looking statements, including, without limitation the following risks and uncertainties which are discussed in the section of this Annual Information Form entitled "Risk Factors": we may not be able to achieve commercialization of our products on the timetable we anticipate, or at all; we expect our cash reserves will be reduced due to future operating losses and working capital requirements, and we cannot provide certainty as to how long our cash reserves will last or that we will be able to access additional capital when necessary; a mass market for our products may never develop or may take longer to develop than we anticipate; we have limited experience manufacturing fuel cell products on a commercial basis; warranty claims could negatively impact our gross margins and financial performance; we may not be able to successfully execute our business plan; global economic conditions are beyond our control and may have an adverse impact on our business or our key suppliers and/or customers; in our Heavy-Duty Motive market, we depend on Chinese customers for a majority of our revenues. Global macro-economic conditions, including significant and recent volatility in China's capital markets, may adversely impact our Chinese customer's access to capital and program plans which could adversely impact our business; in our Technology Solutions market, we depend on a single customer for the majority of our revenues; in our Material Handling market, we depend on a single customer for the majority of our revenues; we may not be able to successfully conclude and realize any benefits or value from our ongoing review of strategic alternatives for our Telecom Backup Power business; 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 expected 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.

In this Annual Information Form, references to "Corporation", "Ballard", "we", "us" and "our" refers to Ballard Power Systems Inc. and, as applicable, its subsidiaries. All dollar amounts are in United States dollars unless otherwise indicated. Canadian dollars are indicated by the symbol "C$", and euros by the symbol "€".

Except where otherwise indicated, all information presented is as of December 31, 2015.

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.

Our Mission, Vision and Values

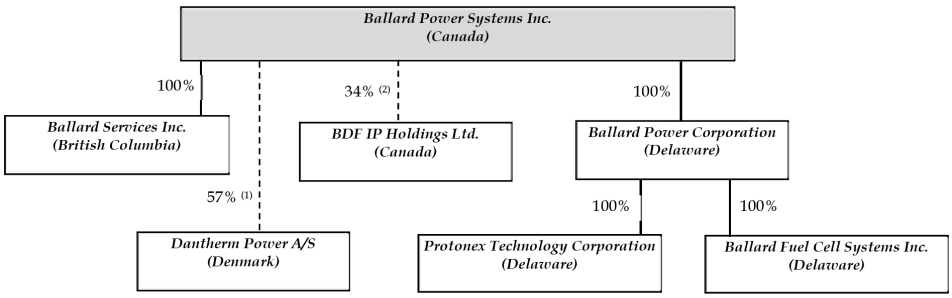
Our vision is to be the leading global provider of innovative clean energy solutions, and our mission is to use our extensive fuel cell and systems know-how to profitably deliver innovative clean energy solutions to our customers, create rewarding opportunities for our team, and provide extraordinary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

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

Intercorporate Relationships

We have five 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; BDF IP Holdings Ltd. ("**IP Holdings**"), a Canadian corporation that holds intellectual property assets; Ballard Services Inc., a British Columbia company that provides engineering services; and Protonex Technology Corporation ("**Protonex**"), a Delaware corporation that is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions.

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 25, 2016:



Notes

(1) The Corporation holds 57% of the shares of Dantherm Power A/S and Dantherm A/S holds 33%.

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

Recent History

Over the past three years, we have continued to focus on building a clean energy business and expanding our recognized leadership in proton exchange membrane ("**PEM**") fuel cell development and commercialization. The following are key recent developments:

Equipment Supply Agreement with Guangdong Synergy Hydrogen Power Technology Co., Ltd.

On January 21, 2016, we announced the signing of an equipment supply agreement, valued at $12 million, with an existing partner in China, Guangdong Synergy Hydrogen Power Technology Co., Ltd. ("**Synergy**") to provide FCvelocity™-9SSL fuel cell stacks for range extension applications in commercial vehicles in China. We expect to deliver the stacks in 2016 and 2017. Synergy will collaborate with Dongfeng Xiangyangtouring Car Co., Ltd., which is part of Dongfeng Motor Corporation, a Chinese state-owned automobile manufacturer headquartered in Wuhan, China. Dongfeng Motor Corporation is the largest manufacturer of commercial vehicles in China.

Protonex Order from the U.S. Army

On December 29, 2015, Protonex received a follow-on purchase order from the U.S. Army for more than 400 Squad Power Manager (SPM-622) Special Operations Kits, with a value of approximately $2.8 million.

Nisshinbo Holdings Inc. Private Placement

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

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

Light Rail Agreement with Tangshan Railway Vehicle Company, Limited

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

Acquisition of Protonex Technology Corporation

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

Sale of ElectraGen ™ Hydrogen Modules to the Aditya Birla Group

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

Agreements with CRRC Qingdao Sifang Company, Ltd.

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

Public Offering of Common Shares

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

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

On June 8, 2015, we entered into license and supply agreements with Nantong Zehe New Energy Technology Co., Ltd. and Synergy to provide fuel cell power products and technology solutions to support the planned deployment of an initial 33 fuel cell-powered buses in two Chinese cities. The agreements have an estimated value of approximately $10 million through 2015. On September 25, 2015, Ballard signed long-term license and supply agreement with Synergy to provide fuel cell Power Products and Technology Solutions in support of the planned deployment of approximately 300 fuel cell-powered buses in the cities of Foshan, China and Yunfu, China. The long-term license and supply agreement has an estimated initial value of $17 million expected through 2016, with the opportunity for significant recurring royalties starting in 2017.

Reliance Jio Infocomm Limited ElectraGen™ Order

On April 29, 2015, Reliance Jio Infocomm Limited (" **RJIL**") placed an order for 100 ElectraGen™-ME fuel cell backup power systems to be deployed in its wireless telecom network in India. All 100 systems were delivered to RJIL in 2015 and are being installed.

Audi IP Asset Transfer

On February 11, 2015, we entered into an agreement with Audi AG under which we agreed to transfer to Audi certain of the transportation-related fuel cell intellectual property assets we previously acquired from United Technologies Corporation ("**UTC**"). These assets consist of approximately 900 patents and patent applications as well as know-how primarily related to proton exchange membrane fuel cell technology. On February 23, 2015 as consideration for the patents and patent applications, Ballard received $40 million from Audi, of which $10 million was paid to UTC as a royalty under the terms of our prior acquisition from UTC. As consideration for the transfer of the know-how, Ballard will receive $10 million from Audi in the first quarter of 2016, of which $900,000 will be paid to UTC. In addition, we retain the sole right to use the know-how, patents and patent applications transferred to Audi for all non-automotive purposes, as well as a non-exclusive right for use in buses, and a non-exclusive right for use in certain limited pre-commercial automotive purposes, all on a royalty-free basis. We also retain the right to provide technology solutions services to other automotive OEMs. In connection with the transaction, Volkswagen AG extended its existing technology development agreement with us as described below.

Plug Long Term Sales Agreement

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

UTC IP Acquisition

On April 24, 2014, we acquired the transportation- and stationary-related fuel cell intellectual property assets of UTC. As consideration for the patents and patent applications, as well as patent licenses, invention disclosures and know-how, UTC received 5,121,507 million common shares of Ballard, $2 million in cash, a grant back license to use the patent portfolio in UTC's existing businesses and a royalty on Ballard's future intellectual property licensing income generated from the combined intellectual property portfolio.

October 2013 Public Offering

On October 9, 2013, we closed an underwritten offering in the United States ("**October 2013 Offering**") of 10.35 million units at a price of $1.40 per unit for gross proceeds of $14.5 million, which includes the exercise in full by the underwriters of their option to purchase up to an additional 15% of common shares and warrants to cover over-allotments. Each unit in the October 2013 Offering was comprised of one common share and 0.25 of a warrant to purchase one common share. Each whole warrant is exercisable immediately upon issuance, having a 5-year term and an exercise price of $2.00 per share. As of December 31, 2015, 1.675 million share purchase warrants from the October 2013 Offering remain outstanding.

Anglo Investment

On March 28, 2013, we completed a private placement with Anglo American Platinum Limited (" **Anglo**") under which Anglo invested $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 was converted into 4.76 million common shares in March 2014.

March 2013 Public Offering

On March 26, 2013, we closed an underwritten offering in the United States (" **March 2013 Offering**") of 7.275 million units at a price of $1.10 per unit for gross proceeds of $8.0 million. Each unit in the March 2013 Offering was comprised of one common share and one warrant to purchase one common share. Each warrant is exercisable immediately upon issuance and has a 5-year term and an exercise price of $1.50 per share. During 2015, 125,000 share purchase warrants from the March 2013 Offering were exercised for Ballard common shares generating proceeds of $187,500. As of December 31, 2015, 122,563 share purchase warrants from the March 2013 Offering remain outstanding.

Technology Development Agreement with Volkswagen AG

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

OUR BUSINESS

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in PEM fuel cell development and commercialization.

Our principal business is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Telecom Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

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

We provide our customers with an attractive value proposition, including positive economic and environmental benefits. We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading power products to meet the needs of our customers in select target markets.

Strategy

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

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

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

Revenues from Market Segments

During 2015 we reported our results in the single operating segment of Fuel Cell Products and Services. Our Fuel Cell Products and Services segment consists of the sale and service of fuel cell products for our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Telecom Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

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 2015 and 2014:

	2015	2014
Revenues from Fuel Cell Products and Services		
Percentage of total revenues	100%	100%
Portion representing sales to investees	Nil	Nil
Portion representing sales to customers other than investees	100%	100%

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® motive modules that are plug-and-play into a larger system. As a fuel cell module provider, we make it easier for OEMs and system integrators to create fuel cell systems.

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

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

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® modules	Buses and Light Rail	Sales to OEMs and system integrators

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

Fuel Cell Products and Services

Power Products Markets

Heavy Duty Motive

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

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

FCveloCity® power module platform cost reduction efforts have focused on unit cell design enhancements, including improved durability and lifetime. This ongoing effort was partially funded by a C$4.8 million award announced in January 2010 (revised to C$6.9 million in June 2012) from Sustainable Development Technology Canada ("**SDTC**"), and was successfully completed in 2014 to further develop fuel cell power module technology for the transit bus market. Product cost reductions continued with the launch in 2015 of our seventh generation motive module FCveloCity® platform, which reduced the total cost of the module by 25%. This new platform is available in various configurations ranging in power from 30kW to 200kW to address different levels of battery/fuel cell hybridization and a variety of applications. The FCveloCity®-MD series is optimized for smaller buses (less than 12 meters in length), the FCveloCity®-HD module is the workhorse of the standard-size (12-18 meter) fuel cell bus industry, and the FCveloCity®-XD series is aimed at light rail.

To date, Ballard-powered fuel cell buses have accumulated more than 8 million kilometres in service, and a single bus has logged more than 20,000 hours of commercial operation.

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

Competition

Diesel-powered buses currently dominate the market today. Compressed natural gas (" **CNG**") and diesel electric hybrid buses are lower-emission alternatives to diesel buses, but are in limited service today. Other variants available today include gasoline hybrid buses and CNG hybrid buses. Electric trolley buses provide a zero-emission alternative; however, their purchase price is high and the overhead catenary power infrastructure is expensive to maintain and is considered aesthetically undesirable in many urban centres. The recent developments in battery-powered powertrain vehicles have created a zero emission alternative to fuel cell buses in the form of battery electric buses. These buses will continue to offer a viable zero emission bus for applications where long range and extended operating hours between recharges are not a requirement.

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

Companies developing fuel cell systems for transit bus applications include Hydrogenics 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 those of our competitors.

Portable Power Management Solutions

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

Protonex has effectively commercialized and deployed several of its products, and has received development programs from U.S. military and U.S. government organizations, including the Air Force, the Army, the Navy, the Marines, DARPA, the DOE, and SOCOM.

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

Protonex has also developed portable fuel cells that facilitate use of fewer batteries by allowing batteries to be re-charged while on the move. A series of proprietary fuel reformers that are both small and allow operation on a variety of available fuels (methanol, propane, kerosene, diesel, gasoline, biofuels, and military fuels). Protonex portable fuel cells have a wide range of additional uses that include, sustained emergency power, marine power, extended surveillance power, vehicle auxiliary power units (APUs), unmanned aerial (UAV), unmanned ground (UGV) and underwater (UUV) vehicle propulsion.

Competition

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

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

Material Handling

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

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

Competition

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

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

Telecom Backup Power

Our focus in the backup power market is on the telecommunications industry. The backup power market demand is created by two drivers: natural disasters such as typhoons or earthquakes; and poor electrical grids. Demand due to natural disasters is characterized by infrequent, extended duration power demand, in areas with reliable grids where outages typically occur seasonally or less frequently. Characteristic demand in regions with poor electrical grids occurs daily or weekly with regular outages often lasting 4-8 hours or more.

We provide clean energy fuel cell backup power systems for telecom equipment suppliers for installation in either indoor or outdoor applications. Dantherm Power develops clean energy hydrogen fuel cell backup 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 backup power market.

In 2015 we grew the market in Asia with significant deployments in India. Southeast Asia, Europe, Australia and Africa continue to show repeat orders through our network of channel partners. Our market expansion efforts included proof of concept deployments with major telecommunication operators in Latin America and Myanmar. We continue to review strategic alternatives for our telecom backup power business, including a sale, joint venture or orderly wind-up.

Competition

The backup power market is currently dominated by diesel generators and batteries. Advanced battery technology continues to make modest progress in the backup power generation market. However, advanced battery technologies still require lengthy recharging and, in many cases, cannot meet desired run times without requiring substantial space. We believe that PEM fuel cell products are superior to batteries in some applications, because of their ability to provide extended run time without frequent or lengthy recharging, as well as their ability to offer lower life cycle costs, given that batteries require periodic replacement. Fuel cell backup power offers a strong value proposition against diesel generators with lower operating cost; low emission and noise; and less risk of theft.

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

Technology Solutions

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

Our current Technology Solutions efforts are predominantly in support of multiple automotive research programs; however, in 2015 we also secured contracts in bus, tram, stationary, and military applications. We are also initiating new activities in a number of other emerging markets, including materials handling, aerospace, and marine.

As noted in the Recent History section above, in 2015 Volkswagen extended the contract for two years to February 2019 for anticipated revenues of approximately C$30-50 million and also extended the notice period for Volkswagen's right to terminate the contract for convenience from one year to two years. These extensions do not affect Volkswagen's continuing right to extend the term of the contract for a further 2-year period. Ballard and Volkswagen have also confirmed Ballard's position as a potential supplier of PEM fuel cell products to the Volkswagen Group. We are supporting critical areas of fuel cell product design, including the membrane electrode assembly, plate and stack components, and also conducting important testing and integration work for Volkswagen.

In addition to our work with Volkswagen, throughout 2015 we have also continued to execute engineering services projects for other automotive customers.

Competition

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

Impact of Regulations and Public Policy

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

In the United States, at the federal level, the Emergency Economic Stabilization Act of 2008 includes tax incentives to help minimize the cost of hydrogen and fuel cell projects. It offers an investment tax credit of 30% for qualified fuel cell property or $3,000/kW of the fuel cell nameplate capacity (i.e., expected system output), whichever is less. The equipment must be installed by December 31, 2016. In addition, it features a credit of 10% for combined-heat-and-power-system property. The American Recovery and Reinvestment Act of 2009 expanded incentives to encourage the installation of fuel cells and hydrogen fueling infrastructure.

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

In Europe, the Fuel Cells and Hydrogen Joint Undertaking (FCH JU) – a partnership of the European Commission with industry and the research community under the framework of the Fuel Cells and Hydrogen Joint Technology Initiative - supports research, technological development and demonstration (RTD) activities in fuel cell and hydrogen energy technologies in Europe. Its aim is to accelerate the market introduction of these technologies. In May 2014, the Council of the European Union formally agreed to continue the Fuel Cells and Hydrogen Joint Technology Initiative under the EU Horizon 2020 Framework Program. This phase (2014-2020), will have a total budget of €1.33 billion, provided on a matched basis. Calls for proposals under Horizon 2020 have occurred for 2014 and 2015, with 2016 calls for proposals open through May 2016.

In China, the Ministry of Finance in April 2015 extended subsidies for new energy vehicles to 2020, with subsidies being those subsidies being reduced by 20 percent in 2017 and 2018 and by 40 percent in 2019 and 2020. Subsidies will be granted to buyers of pure electric, highly electrified plug-in hybrid and fuel-cell vehicles, including both cars and buses.

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

In Canada, Sustainable Development Technology Canada (“ **SDTC**”) operates the SD Tech Fund which supports the late-stage development and pre-commercial demonstration of clean technology solutions. These solutions being products and processes that contribute to clean air, clean water and clean land, that address climate change and improve the productivity and the global competitiveness of the Canadian industry. SDTC does not require any repayments of the financial contributions it provides to funded projects through the SD Tech Fund.

Research and Product Development

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

Intellectual Property

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

Our intellectual property covers multiple aspects of our technology, including: materials and components; cell, stack and systems architecture; stack/system operation and control; and manufacturing processes. Our intellectual property portfolio is not limited to our patents and patent applications; it also includes know-how and trade secrets developed over more than 30 years of research and product development.

As of February 25, 2016, Ballard owns or controls through IP: 76 United States granted patents; 92 non-United States granted patents; 9 United States published patent applications; and 26 published non-United States patent applications. Our patents will expire between April 2016 and February 2036.

Protonex’s intellectual property comprises approximately 40 United States granted patents, 23 non-US granted patents, 7 United States published patent applications and 15 published non-United States patent applications.

We hold licence rights to additional intellectual property from a number of third parties. We have a royalty-free license to approximately 750 issued patents and pending patent applications from Audi AG for bus and non-automotive applications as well as for certain limited pre-commercial purposes in automotive applications. We also have a royalty-free non-exclusive license to approximately 320 patents and patent applications from IdaTech LLC (now known as H2 PowerTech, LLC) for methanol reforming and other fuel cell-related technologies. In addition, these licences include non-exclusive, royalty-free access to all of the intellectual property rights held by NuCellSys GmbH, a Daimler subsidiary, and to all of the intellectual property rights relating to fuel cells developed by Daimler, Ford and their subsidiaries (either directly or through AFCC Automotive Fuel Cell Cooperation Corp. ("**AFCC**")), including any intellectual property rights developed by them to January 31, 2013. As of February 25, 2016, 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 four facilities – two in Burnaby, British Columbia, one in Tijuana, Mexico, and one in Southborough, Massachusetts. The Burnaby facilities are focused on our core fuel cell competencies, which include the production of MEAs, integration and testing of fuel cell stacks, assembly and testing of motive modules, as well as support of other products required through our engineering services contracts. We continue to make investments in our manufacturing capabilities and processes which are targeted at supporting high volume production and automated processing to support future growth. Our facility in Tijuana, Mexico, is focused on the integration of our fuel cell stacks into the ElectraGen™ product line. Protonex develops, tests, and manufactures its portable power management products in Southborough, Massachusetts.

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

Safety

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

In 2015 we re-committed ourselves to developing a culture of safety. We baselined our goals with respect to days lost due to injury and lost time incidents and have set meaningful targets for 2016. In December 2015, we obtained our Occupational Safety Standard of Excellence (OSSE) certification. Obtaining this certification is a reflection of our commitment to operate in a manner that protects the health and well-being of our employees and those in the communities where we operate.

Quality

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

Ballard maintains quality registration to ISO 9001 in all of our manufacturing facilities, and during 2013, we also successfully achieved registration to ISO 14001 for the Burnaby facilities. Conformance to these quality systems is ensured through our Integrated Management System. We also strive for continuous improvements in our manufacturing processes through such practices as Lean Manufacturing, 5-S and Six Sigma. We have trained 40 people across the organization in Lean Six Sigma practices in 2015.

Facilities

We, or our wholly-owned subsidiaries, currently have the following principal facilities: (a) a leased 116,797 ft² (10,850 m²) facility in Burnaby, British Columbia that houses our corporate headquarters and our fuel cell development, manufacturing and testing activities; (b) a leased 112,000 ft² (10,405 m²) facility in Burnaby that houses some of our manufacturing facilities, as well as manufacturing facilities of Mercedes-Benz Canada Inc. and AFCC through subleases; (c) approximately 10,000 ft² (930 m²) of assembly space in Burnaby that is used to support motive module assembly; (d) a leased 10,596 ft² (984 m²) facility in Bend, Oregon that houses our ElectraGen™ product development group and system test lab; (e) a leased 4,100 ft² (381 m²) facility in Hobro, Denmark; (f) a leased 38,000 ft² (3,530 m²) facility in Tijuana, Mexico which we operate under a shelter agreement for the manufacturing and testing of our ElectraGen™ systems; (g) a leased 17,000 ft² (1580 m²) facility in Southborough, Massachusetts that houses all of Protonex’s operations.

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, 2015, we had approximately 410 employees, 300 in Canada, 80 in the United States and 30 in Denmark, representing such diverse disciplines as electrochemistry, polymer chemistry, chemical, mechanical, electronic and electrical engineering, manufacturing, marketing, sales, business development, legal, finance, human resources, information technology and business management. Our employees in Canada and the United States are not represented by any labour union. In Denmark, there are two groups of technical employees subject to collective agreements, totalling less than 15 employees. Each employee must agree to confidentiality provisions as part of the terms of his or her employment, and certain employees have also executed non-competition agreements with us.

SHARE CAPITAL AND MARKET FOR SECURITIES

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As of February 25, 2016, our issued share capital consisted of 156,839,687 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 2015:

	TSX		**NASDAQ**	
	Price Range (C$)	**Average Daily Volume (#)**	**Price Range (US$)**	**Average Daily Volume (#)**
January	1.17 – 1.63	161,823	1.58 – 2.28	858,257
February	1.30 – 1.71	618,672	1.66 – 2.24	4,336,079
March	1.23 – 1.55	137,071	1.63 – 2.03	750,110
April	1.13 – 1.45	172,439	1.50 – 1.90	965,462
May	1.17 – 1.34	84,725	1.52 – 1.77	473,008

	TSX		NASDAQ	
	Price Range (C$)	**Average Daily Volume (#)**	**Price Range (US$)**	**Average Daily Volume (#)**
June	1.35 – 1.72	151,341	1.74 – 2.23	1,134,210
July	2.05 – 2.44	219,677	1.56 – 2.99	1,746,500
August	2.07 – 2.20	74,710	2.53 – 2.67	429,852
September	2.02 – 2.40	94,708	2.56 – 2.95	713,204
October	2.01 – 2.37	107,071	2.54 – 2.97	665,038
November	1.61 – 2.92	181,503	2.03 – 3.64	748,526
December	1.46 – 1.98	122,349	1.77 – 2.15	841,860

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.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following tables sets out the number of common shares in escrow and the percentage that number represents of the outstanding securities of that class.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Common	3,962,781	2.527%

In connection with Merger Agreement, 640,302 our common shares were deposited in escrow with U.S. Bank National Association, a national banking association, through its nominee Embassy & Co. Subject to (a) claims by us as permitted by the Merger Agreement and (b) the agreement of the parties to the Merger Agreement, the common shares held in escrow will be released at the close of business of the escrow agent on October 1, 2016.

In connection with the Nisshinbo private place, pursuant to which 3,322,479 of our common shares were issued, Nisshinbo may not transfer the acquired shares until after March 10, 2016.

DIRECTORS AND OFFICERS

Board of Directors

The following chart provides the following information as of February 25, 2016: 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	26,824/0.017%	234,937/25.60%
Douglas P. Hayhurst British Columbia, Canada	Corporate Director of Ballard. Formerly an executive with IBM Canada Business Consulting Services (*consulting services*) and a Partner with PricewaterhouseCoopers Management Consultants *(consulting services)*.	2012	5,000/0.003%	116,911/12.74%
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%	155,150/16.91%
R. Randall MacEwen British Columbia, Canada	President and Chief Executive Officer of Ballard since October 2014.	2014	30,312/0.019%	0/0%

Name, Province/State and Country of Residence[1]	Principal Occupation[1]	Director Since	Shares Beneficially Owned or Controlled or Directed[1] (#/% of Class)	Deferred Share Units Owned or Controlled[2] (#/% of Class)
Marty T. Neese California, USA	Chief Operating Officer of SunPower Corporation (*solar power equipment and services*) since June 2008. From October 2007 to June 2008, Mr. Neese served as an Executive Vice President, Worldwide Operations of Flextronics International Ltd. (*electronics manufacturing services*). From September 2004 to October 2007, he served in a variety of senior management positions at Flextronics Corporation.	2015	0/0%	0/0%
James Roche Ontario, Canada	Founding member and executive at Newbridge Networks Corporation. President and currently the CEO of Stratford Managers Corporation." to "President and CEO of Stratford Managers Corporation *(management consulting services).* Formerly President and CEO of Tundra Semiconductor *(semiconductor component manufacturer)* from 1995-2006 and Founding member and executive at Newbridge Networks Corporation *(communications equipment manufacturer)* from 1986-1995.	2015	0/0%	12,115/1.32%
Carol M. Stephenson British Columbia, Canada	Corporate Director of Ballard. Formerly Dean of the Richard Ivey School of Business at the University of Western Ontario, a position she had held since 2003. Previously, served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003.	2012	3,550/0.002%	126,536/13.79%

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. (*electrical and electronic industrial products*) 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	3,600/0.002%	127,447/13.89%
Ian Sutcliffe Ontario, Canada	Corporate Director of Ballard. Partner at Sutcliffe & Associates Management Consultants *(management consulting services)* since June 1985. Formerly CEO, Chairman and independent director of BluePoint Data (*IT services*) from September 2001 to June 2011 and Vice Chair and CEO of BCS Global (*video conferencing services*) from January 2003 to March 2004.	2013	10,000/0.006%	41,546/4.53%

Notes

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

(2) Rounded to the nearest whole number.

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

Senior Officers

As of February 25, 2016, we had five senior officers. The name and province or state of residence of each senior officer, the offices held by each officer and each officer's principal occupation during the last five years are as follows:

Name and Province/State of Residence	Position	Principal Occupation
R. Randall MacEwen British Columbia, Canada	President and Chief Executive Officer	Executive of Ballard. Formerly CEO of Sparq Systems Inc. (2013 to 2014) and Founder and Managing Director at NextCleanTech LLC (2010-2014).
Tony Guglielmin British Columbia, Canada	Vice President and Chief Financial Officer	Executive of Ballard. Formerly SVP Finance and Chief Financial Officer of Canada Line Rapid Transit Inc. (2005 to 2009).
David Whyte British Columbia, Canada	Vice President, Operations	Senior officer of Ballard. Formerly Director, Operations of Ballard.
Kevin Colbow British Columbia, Canada	Vice President, Technology & Product Development	Senior officer of Ballard. Formerly Vice President, Technology Solutions of Ballard.
Karim Kassam British Columbia, Canada	Vice President, Commercial	Senior officer of Ballard. Formerly Vice President, Business and Corporate Development of Ballard.

Shareholdings of Directors and Senior Officers

As of February 25, 2016, our directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 502,375 of our common shares, being 0.32% of our issued and outstanding common shares, and 917,625 DSUs.

AUDIT COMMITTEE MATTERS

Audit Committee Mandate

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

Composition of the Audit Committee

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

Name	Independent?	Financially Literate?	Relevant Education and Experience
Ian A. Bourne (*ex officio*)	Yes	Yes	Mr. Bourne was TransAlta Corporation's Executive Vice President from January 1998 to December 2006. From January 1998 to December 2005, Mr. Bourne was the Chief Financial Officer of TransAlta and was responsible for all financial policy, planning and reporting, as well as tax, treasury and risk management planning and implementation. Mr. Bourne has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.
Douglas P. Hayhurst	Yes	Yes	Mr. Hayhurst was an executive with IBM Canada Business Consulting Services and a Partner with PricewaterhouseCoopers Management Consultants. Prior to that, Mr. Hayhurst held various senior executive management roles with Price Waterhouse including National Deputy Managing Partner (Toronto) and Managing Partner for British Columbia (Vancouver). Mr. Hayhurst received a Fellowship (FCA) from the Institutes of Chartered Accountants of British Columbia and of Ontario. He has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

Name	Independent?	Financially Literate?	Relevant Education and Experience
Edwin J. Kilroy (Chair)	Yes	Yes	Mr. Kilroy has been the Chief Executive Officer of MedAvail Technologies Inc. since November 2012. Previously, he was the Chief Executive Officer of Symcor Inc. from January 2005 to November 2010. Prior to that, Mr. Kilroy was the Chief Executive Officer of IBM Canada Ltd. from April 2001 to January 2005.
Marty T. Neese	Yes	Yes	Chief Operating Officer of SunPower Corporation since June 2008. From October 2007 to June 2008, Mr. Neese served as an Executive Vice President, Worldwide Operations of Flextronics International Ltd. From September 2004 to October 2007, he served in a variety of senior management positions at Flextronics Corporation.
James Roche	Yes	Yes	Mr. Roche is currently President and CEO of Stratford Managers Corporation, and was a founding member and executive at Newbridge Networks Corporation. He subsequently co-founded Tundra Semiconductor Corporation, and was President and CEO of the publicly-traded company before it was acquired by IDT in 2006. Mr. Roche has also served as President and CEO of CMC Microsystems and CANARIE Inc.
Carol M. Stephenson	Yes	Yes	Ms. Stephenson's principal occupation is corporate director. Previously, she was the Dean of the Richard Ivey School of Business at the University of Western Ontario from 2003 until 2013. Prior to that, she served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003. Ms. Stephenson was invested as an Officer into the Order of Canada in 2010.
David B. Sutcliffe	Yes	Yes	Mr. Sutcliffe was the Chief Executive Officer of Sierra Wireless, Inc. from May 1995 to October 2005. From May 2001 to April 2005, he was also the Chair of the Board of Sierra Wireless, Inc. He has completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

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

The Audit Committee is responsible for recommending the appointment of our external auditors (for shareholder approval at our annual general meeting), monitoring the external auditors' qualifications and independence, and determining the appropriate level of remuneration for the external auditors. The external auditors report directly to the Audit Committee. The Audit Committee also approves in advance, on a case-by-case basis, any services to be provided by the external auditors that are not related to the audit. The following table shows the costs incurred with KPMG LLP in 2015 and 2014 for audit and non-audit related work, all of which were approved by the Audit Committee:

Type of Audit Fees	2015 (C$)	2014 (C$)
Audit Fees	$534,000	$438,362
Audit-Related Fees	$7,500	$7,350
Tax Fees	Nil	$3,467
All Other Fees	Nil	Nil

Audit Fees

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

Audit-Related Fees

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

Tax Fees

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

All Other Fees

There were no fees paid to KPMG LLP that would be considered “Other Fees” in 2015 or 2014. 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, has audited our consolidated financial statements for the years ended December 31, 2015 and 2014. 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.

Protonex Acquisition

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

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

Audi IP Asset Transfer

On February 11, 2015, we entered into an agreement with Audi AG (the "IP Transfer and License Agreement") under which we agreed to transfer to Audi certain of the transportation-related fuel cell intellectual property assets we previously acquired from United Technologies Corporation. These assets consist of approximately 900 patents and patent applications as well as know-how primarily related to PEM fuel cell technology.

As consideration for the patents and patent applications, Ballard received $40 million from Audi, of which $10 million was paid to UTC as a royalty under the terms of our prior acquisition from UTC. As consideration for the know-how, Ballard will receive $10 million from Audi on transfer thereof, which is expected to occur in the first quarter of 2016, of which $900,000 will be paid to UTC.

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

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

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

UTC IP Acquisition

On April 24, 2014, we acquired the transportation- and stationary-related fuel cell intellectual property assets of UTC. These assets consist of approximately 800 patents and patent applications as well as patent licenses, invention disclosures and know-how primarily related to proton exchange membrane fuel cell technology.

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

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

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

Technology Development Agreement with Volkswagen AG

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

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

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

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

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

RISK FACTORS

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and the other information contained in, and incorporated into, this Annual Information Form, including "Management's Discussion and Analysis" and our financial statements for the year ended December 31, 2015. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business.

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

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

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

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

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

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

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

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

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

To date, we have limited experience manufacturing fuel cell products on a commercial basis. We cannot be sure that we will be able to develop efficient, low-cost, high-volume automated processes that will enable us to meet our cost goals and profitability projections. While we currently have sufficient production capacity to fulfill customer orders in the near-term, we expect that we will increase our production capacity based on market demand. We cannot be sure that we will be able to achieve any planned increases in production capacity or that unforeseen problems relating to our manufacturing processes will not occur. Even if we are successful in developing high-volume automated processes and achieving planned increases in production capacity, we cannot be sure that we will do so in time to meet our product commercialization schedule or to satisfy customer demand. If our business does not grow as quickly as anticipated, our existing and planned manufacturing facilities would, in part, represent excess capacity for which we may not recover the cost, in which case our revenues may be inadequate to support our committed costs and planned growth, and our gross margins and business strategy would be adversely affected. Any of these factors could have a material adverse effect on our business, results of operations and financial performance.

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

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

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

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

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

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

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

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

We sell most of our products in the Heavy-Duty Motive market to a small number of Chinese customers, and while we are continually seeking to expand our customer base, we expect this will continue for the next several years. Any significant economic slowdown in China could have an adverse impact on our business, financial condition and results of operations. Our future success is dependent upon the continued purchases of our products by these customers. Any fluctuations in demand from these customers may negatively impact our business, financial condition and results of operations. If we are unable to broaden our customer base and expand relationships with other potential customers in other geographic markets, our business in the Heavy-Duty Motive market will continue to be impacted by unanticipated demand fluctuations due to our dependence on these customers. Unanticipated demand fluctuations can have a negative impact on our revenues and business, and an adverse effect on our business, financial condition and results of operations. In addition, our dependence on a small number of customer in this market exposes us to numerous other risks, including: (i) a slowdown or delay in the customers' deployment of our products could significantly reduce demand for our products as well as increase pricing pressure on our products due to increased purchasing leverage; (ii) reductions in a few customers' forecasts and demand could result in excess inventories; (iii) the current or future economic conditions could negatively affect our major customers and cause them to significantly reduce operations, or file for bankruptcy; (iv) concentration of accounts receivable credit risk, which could have a material adverse effect on our liquidity and financial condition if one of our major customer declared bankruptcy or delayed payment of their receivables; and (v) changes in government support for clean energy vehicles could have adversely affect the end-user cost of vehicles incorporating our heavy-duty motive products.

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

We provide most of our services in the Technology Solutions market to a single customer, Volkswagen 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 and are subject to risks from that customer's internal fuel cell stack development and commercialization plans.

We sell most of our products in the Material Handling market to a single customer, Plug Power, and while we are continually seeking to expand our customer base, we expect this will continue for the next several years. Plug Power is currently developing its own fuel cell stacks to integrate into their material handling products. If Plug Power is successful at developing and commercializing its own fuel cell stacks, then these fuel cell stacks may compete directly with our fuel cell stacks. Any decline in business with this customer could have an adverse impact on our business, financial condition and results of operations. Our future success is dependent upon the continued purchases of our products by this customer. Any fluctuations in demand from this customer or other customers may negatively impact our business, financial condition and results of operations. If we are unable to broaden our customer base and expand relationships with other potential customers, our business in this market will continue to be impacted by unanticipated demand fluctuations due to our dependence on a single customer. Unanticipated demand fluctuations can have a negative impact on our revenues and business, and an adverse effect on our business, financial condition and results of operations. In addition, our dependence on a single customer in this market exposes us to numerous other risks, including: (i) a slowdown or delay in the customer's deployment of our products could significantly reduce demand for our products as well as increase pricing pressure on our products due to increased purchasing leverage; (ii) reductions in a single customer's forecasts and demand could result in excess inventories; (iii) the current or future economic conditions could negatively affect our major customer and cause them to significantly reduce operations, or file for bankruptcy; (iv) concentration of accounts receivable credit risk, which could have a material adverse effect on our liquidity and financial condition if our major customer declared bankruptcy or delayed payment of their receivables; and (v) reductions in a single customer's demand as a result of their own strategic action to dual source their supply of fuel cell stacks.

We may not be able to successfully conclude and realize any benefits or value from our ongoing review of strategic alternatives for our Telecom Backup Power business.

We may not be able to successfully conclude and realize any benefits or value from our ongoing review of strategic alternatives for our Telecom Backup Power business. If a strategic alternative is chosen, the ability to successfully conclude that plan will be in part dependent on management's ability to identify potential acquirers or joint venturers for our telecom backup power business.

Acceptable potential acquirers or joint venturers might not be available. Divestitures involve a number of risks, including: (i) liabilities of the telecom backup power business that, as owner of the telecom backup power business, we may remain legally and financially responsible for; (ii) the additional expenses associated with completing a divestiture; and (iii) the potential disruption of our other businesses 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.

In our Portable Power market, defense spending volatility could have an adverse impact on our business.

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

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

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

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-today operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

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

We are subject to risks inherent in international operations.

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

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

We report our financial results in United States dollars. Our operating expenditures are particularly affected by fluctuations in the exchange rate between the Canadian dollar and the United States dollar. We generate the majority of our revenues in United States dollars while the majority of our operating expenditures are incurred in Canadian dollars. As a result, any increase in the value of the Canadian dollar, relative to the United States dollar, increases the amount of reported operating expenditures in excess of any corresponding increase in revenues and gross margins. Exchange rate fluctuations are beyond our control, and the Canadian dollar may appreciate against the United States dollar in the future, which would result in higher operating expenditures and lower net income. In order to reduce the potential negative effect of a strengthening Canadian dollar, we occasionally enter into various hedging programs. However, if the Canadian dollar increases in value, it will negatively affect our financial results and our competitive position compared to other fuel cell product manufacturers in jurisdictions where operating costs are lower.

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

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

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

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

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

We 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 including subsidies or incentives associated with the adoption of clean energy products, will not change. Changes in these laws and other laws and policies, or the failure of these laws and policies to become more widespread, could result in manufacturers abandoning their interest in fuel cell products or favouring alternative technologies. In addition, as fuel cell products are introduced into our target markets, 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.

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

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

Failure to protect our existing intellectual property rights may result in the loss of our exclusivity or the right to use our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation, or be enjoined from using such intellectual property. We rely on patent, trade secret, trademark and copyright laws to protect our intellectual property. However, some of our intellectual property is not covered by any patent or patent application, and the patents to which we currently have rights expire between 2011 and 2027. Our present or future-issued patents may not protect our technological leadership, and our patent portfolio may not continue to grow at the same rate as it has in the past. Moreover, our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, there is no assurance that: (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, 2015, each interim financial statement issued after December 31, 2015, 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.

(v) The Committee will annually approve the appointment of the internal auditor (or persons responsible for the function).

(vi) The Committee will direct, review, monitor, oversee and provide guidance to the internal audit function and review the performance of the internal auditor at least annually.

l) Related Party Transactions

The Committee will review and approve all related party transactions, other than those related party transactions in respect of which the board has delegated review to a special committee of 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 $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:

(i) 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;

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

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

(iv) 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;

(v) recommend any revisions to the structure of the related party transaction that the Committee considers to be necessary or advisable;

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

(vii) 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

(viii) 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.

AUDIT COMMITTEE TIMETABLE

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

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
A) Financial Reporting Control Systems												
(i) Review with management any significant changes in financial risks facing the Corporation.		✓		✓			✓			✓		
(ii) Review with management procedures followed with respect to disclosure controls and procedures.		✓		✓			✓			✓		
(iii) Review the management letter from the external auditor and corporation's responses to suggestions made.				✓								
(iv) Annually review the Committee mandate.		✓										
(v) Review specific matters as required affecting financial reporting such as insurance coverage, the status of the Corporation's tax loss carry-forwards, pension and health care liabilities, and off balance sheet transactions.										✓		
(vi) Review the appointment of the financial senior executives of the Corporation.		✓		✓			✓			✓		
(vii) Establish and maintain a set of procedures for the receipt, retention and treatment of complaints received by the Corporation concerning accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and review submissions as received.		✓		✓			✓			✓		
(viii) Discuss and consider policies with respect to risk assessment and risk management.												✓
(ix) Meet separately and periodically, no less than annually, with management, with internal auditors (or persons responsible for the internal audit function) and with independent auditors.		✓		✓			✓			✓		

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.				✓			✓			✓		
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.		✓		✓			✓			✓		
(ii) Obtain summaries of significant transactions, and other complex matters whose treatment in the annual financial statements merits advance consideration.		✓		✓			✓			✓		
(iii) Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by the Corporation's officers.		✓										
(iv) Review summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments.		✓		✓			✓			✓		
(v) Discuss the annual financial statements, MD&A and the auditors' report thereon in detail with the Corporation's officers and the external auditors.		✓										
(vi) Review and recommend to the board of directors approval of all financial disclosure contained in prospectuses, annual information forms, management proxy circulars and other similar documents.		✓										
(vii) Before the release of each quarterly report and annual financial statements, discuss with the external auditors all matters required by SAS 61 and Handbook section 5751.		✓		✓			✓			✓		
(viii) Provide the board with a recommendation for approval of the annual financial statements.		✓										
(ix) Discuss earnings press releases and earnings guidance as well as the release of significant new financial information.		✓		✓			✓			✓		
D) Relationship with External Auditors												
(i) Annually appoint (subject to shareholder approval) external auditor.		✓										
(ii) Annually review and approve terms of engagement and determine remuneration of external auditor.										✓		

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(iii) Review representation letters given by management to external auditor.		✓		✓					✓	✓		
(iv) Monitor the external auditor's qualifications and independence through the activities listed in Section F.		✓										
(v) Review the audit plan with the external auditors and approve all substantive audit services in advance.										✓		
(vi) Approve permissible non-audit services in advance.		✓		✓					✓			
(vii) Review all fees paid to external auditors.		✓		✓					✓	✓		
(viii) Review performance against audit proposal plan.		✓										
(ix) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.		✓		✓					✓	✓		
(x) Receive a report from the external auditor with respect to:												
(a) all critical accounting policies and practices;		✓										
(b) all alternative treatments of financial information within GAAP that have been discussed with management, implications of their use and the external auditors' "preferred treatment";		✓										
(c) any other material written communications between the auditor and management;		✓										
(d) the internal quality-control procedures of the external auditors;		✓										
(e) any material issues raised by the most recent internal quality-control review of the external auditors' firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such firm, and any steps taken to deal with any such issues; and		✓										
(f) all relationships between the external auditors and the Corporation, as detailed in §(i) under Section F – Independence of External Auditors.		✓										
(xi) Resolve all disagreements between management and the external auditors regarding financial reporting				✓					✓	✓		

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(xii) Ensure that the audit partners representing the external auditors meet the rotation requirements set out by the U.S. Securities and Exchange Commission and by any other applicable Canadian or U.S. securities regulatory authority or stock exchange.										✓		
E) Treasury												
(i) Review and approve the Treasury Policy.				✓								
(ii) Review the Quarterly Treasury Report.		✓		✓					✓	✓		
(iii) Review and approve the Foreign Exchange Policy.				✓								
F) Independence of External Auditors												
(i) Receive from the external auditors, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation consistent with ISB No. 1.		✓										
(ii) Review and actively discuss with the Board of Directors, if necessary, and the external auditors, on a periodic basis, any disclosed relationships or services between the external auditors and the Corporation or any other disclosed relationships or services that may impact the objectivity and independence of the external auditors.		✓										
(iii) Recommend, if necessary, that the Board take action to satisfy itself, of the external auditors' independence.		✓										
(iv) Ensure that the Corporation does not hire as the Corporation's CEO, CFO, Controller or chief accounting officer any person who was employed by the Corporation's external auditors and who participated in any capacity in the audit of the Corporation during the one-year period preceding the initiation of the current audit		✓		✓					✓	✓		
G) Internal Audit and Controls												
(i) Ensure that the Corporation has appropriate systems of internal control.		✓		✓			✓			✓		
(ii) Review quarterly the internal auditors' report on the adequacy of the internal controls, policies and procedures.		✓		✓			✓			✓		

Committee Timetable												
Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
(iii) Annually review and approve internal audit plan												✓
(iv) Annually approve the appointment of the internal auditor												✓
(v) Annually review the performance of the internal auditor												✓
H) Related Party Transactions												
(i) Review and approve the Corporation's related party transactions over $60,000.		✓		✓			✓			✓		✓
(ii) Review a summary of the Corporation's related party transactions to ensure that such transactions are consistent with the terms and conditions previously approved by the Committee.		✓		✓			✓			✓		✓
I) Other												
(i) Annually review management's compliance with the Corporation's Code of Ethics & Workplace Guidelines and Corporate Watch Policy.												✓
(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												✓
(iii) Annually review the succession plans for the Corporation's CFO and Controller.												✓
(iv) Annually review the audit of expense reports of the Chair of the Board of Directors and the CEO.				✓								
J) Performance Evaluation												
(i) Review annual evaluation of the Committee's performance.		✓										

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

I, **R. Randall MacEwen,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 25, 2016

By: /s/ R. Randall MacEwen
Name: R. Randall MacEwen
President and Chief Executive Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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

I, **Tony Guglielmin,** certify that:

1. I have reviewed this annual report on Form 40-F of Ballard Power Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 25, 2016

By: /s/ Tony Guglielmin
Name: Tony Guglielmin
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Ballard Power Systems Inc. and will be retained by Ballard Power Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Section 906 Certification

Certification Pursuant to
18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Ballard Power Systems Inc., a corporation organized under the laws of Canada (the "Company"), for the period ending December 31, 2015 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 25, 2016

/s/ R. Randall MacEwen

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

Dated: February 25, 2016

/s/ Tony Guglielmin

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

KPMG LLP
Chartered Professional Accountants
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Vancouver BC V7Y 1K3
Canada

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Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Ballard Power Systems Inc.

We consent to the use of our reports, each dated February 24, 2016, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

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

KPMG LLP

Chartered Professional Accountants

February 24, 2016
Vancouver, Canada

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