

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

BALLARD POWER SYSTEMS INC.

Three and six months ended June 30, 2024 and 2023

BALLARD POWER SYSTEMS INC.

Condensed Consolidated Interim Statements of Financial Position

Unaudited (Expressed in thousands of U.S. dollars)

	Note	June 30, 2024	December 31, 2023
Assets			
Current assets:			
Cash and cash equivalents		\$ 678,032	\$ 751,130
Short-term investments		2,109	2,113
Trade and other receivables	5	39,331	58,565
Inventories	6	62,039	45,870
Prepaid expenses and other current assets		7,443	7,063
Total current assets		<u>788,954</u>	<u>864,741</u>
Non-current assets:			
Property, plant and equipment	7	135,974	116,325
Intangible assets	8	1,783	1,406
Goodwill		40,277	40,277
Equity-accounted investments	9	11,860	13,901
Long-term financial investments	10	41,725	40,345
Other non-current assets		523	547
Total assets		<u>\$ 1,021,096</u>	<u>\$ 1,077,542</u>
Liabilities and Equity			
Current liabilities:			
Trade and other payables	12	\$ 38,333	\$ 39,696
Deferred revenue	13	9,081	4,588
Provisions and other current liabilities	14	21,439	21,797
Current lease liabilities	15	3,499	4,505
Total current liabilities		<u>72,352</u>	<u>70,586</u>
Non-current liabilities:			
Non-current lease liabilities	15	24,532	13,393
Deferred gain on finance lease liability	15	277	485
Other non-current liabilities and employee future benefits	16	1,803	1,862
Total liabilities		<u>98,964</u>	<u>86,326</u>
Equity:			
Share capital	17	2,428,478	2,425,641
Contributed surplus		308,056	306,042
Accumulated deficit		(1,810,261)	(1,737,505)
Foreign currency reserve		(4,141)	(2,962)
Total equity		<u>922,132</u>	<u>991,216</u>
Total liabilities and equity		<u>\$ 1,021,096</u>	<u>\$ 1,077,542</u>

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Kathy Bayless"

Director

"Jim Roche"

Director

BALLARD POWER SYSTEMS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited (Expressed in thousands of U.S. dollars, except per share amounts and number of shares)

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Revenues:					
Product and service revenues	18	\$ 16,003	\$ 15,314	\$ 30,455	\$ 28,557
Cost of product and service revenues		21,127	18,496	40,994	37,359
Gross margin		<u>(5,124)</u>	<u>(3,182)</u>	<u>(10,539)</u>	<u>(8,802)</u>
Operating expenses:					
Research and product development		25,535	25,306	50,843	49,981
General and administrative		6,092	6,006	12,961	11,862
Sales and marketing		4,419	4,004	7,602	7,825
Other expense	19	182	260	1,882	1,740
Total operating expenses		<u>36,228</u>	<u>35,576</u>	<u>73,288</u>	<u>71,408</u>
Results from operating activities		(41,352)	(38,758)	(83,827)	(80,210)
Finance income and other	20	11,015	11,798	13,724	22,007
Finance expense	20	(590)	(262)	(1,021)	(545)
Net finance income		<u>10,425</u>	<u>11,536</u>	<u>12,703</u>	<u>21,462</u>
Equity in loss of investment in joint venture and associate	9 & 21	(468)	(893)	(1,302)	(1,755)
Loss before income taxes		<u>(31,395)</u>	<u>(28,115)</u>	<u>(72,426)</u>	<u>(60,503)</u>
Income tax expense		(68)	(98)	(103)	(98)
Net loss for the period from continued operations		\$ (31,463)	\$ (28,213)	\$ (72,529)	\$ (60,601)
Net loss for the period from discontinued operations	22	(1)	(1,883)	(227)	(3,413)
Net loss for the period		\$ (31,464)	\$ (30,096)	\$ (72,756)	\$ (64,014)
Other comprehensive loss:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		(277)	(2,361)	(1,179)	(2,221)
Total comprehensive loss for the period		\$ (31,741)	\$ (32,457)	\$ (73,935)	\$ (66,235)
Basic and diluted loss per share					
Loss per share for the period		\$ (0.11)	\$ (0.09)	\$ (0.24)	\$ (0.20)
Weighted average number of common shares outstanding		299,392,029	298,678,945	299,201,382	298,554,770

See accompanying notes to condensed consolidated interim financial statements.

BALLARD POWER SYSTEMS INC.

Condensed Consolidated Interim Statements of Changes in Equity

Unaudited (Expressed in thousands of U.S. dollars except number of shares)

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Foreign currency reserve	Total equity
Balance, December 31, 2023	298,935,706	\$ 2,425,641	\$ 306,042	\$ (1,737,505)	\$ (2,962)	\$ 991,216
Net loss	—	—	—	(72,756)	—	(72,756)
RSUs redeemed (note 17)	318,164	2,365	(3,190)	—	—	(825)
Options exercised (note 17)	154,509	472	(164)	—	—	308
Share-based compensation (note 17)	—	—	5,368	—	—	5,368
Other comprehensive loss:						
Foreign currency translation for foreign operations	—	—	—	—	(1,179)	(1,179)
Balance, June 30, 2024	299,408,379	\$ 2,428,478	\$ 308,056	\$ (1,810,261)	\$ (4,141)	\$ 922,132

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Foreign currency reserve	Total equity
Balance, December 31, 2022	298,394,203	\$ 2,420,396	\$ 300,764	\$ (1,560,759)	\$ (1,490)	\$ 1,158,911
Net loss	—	—	—	(64,014)	—	(64,014)
Deferred share consideration issued for acquisition	112,451	1,612	(1,612)	—	—	—
DSUs redeemed (note 17)	31,736	194	(365)	—	—	(171)
RSUs redeemed (note 17)	44,698	233	(486)	—	—	(253)
Options exercised (note 17)	119,284	371	(125)	—	—	246
Share-based compensation (note 17)	—	—	5,409	—	—	5,409
Other comprehensive income:						
Foreign currency translation for foreign operations	—	—	—	—	(2,221)	(2,221)
Balance, June 30, 2023	298,702,372	\$ 2,422,806	\$ 303,585	\$ (1,624,773)	\$ (3,711)	\$ 1,097,907

See accompanying notes to condensed consolidated interim financial statements.

BALLARD POWER SYSTEMS INC.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited (Expressed in thousands of U.S. dollars)

	Note	Six months ended June 30,	
		2024	2023
Cash provided by (used in):			
Operating activities:			
Net loss for the period		\$ (72,756)	\$ (64,014)
Adjustments for:			
Depreciation and amortization	7 & 8	7,339	6,662
Deferred gain amortization		(208)	(209)
Impairment loss on trade receivables	19	1,691	17
Inventory impairment and onerous contracts provision adjustments	6	2,173	2,834
Unrealized (gain)/loss on forward contracts		611	(1,255)
Equity in loss of investment in joint venture and associate	9 & 21	1,302	1,755
Net decrease in fair value of investments	10, 20 & 25	4,623	104
De-recognition of lease		—	79
Accretion (dilution) on decommissioning liabilities		(48)	59
Employee future benefits		—	22
Employee future benefits plan contributions		(11)	(8)
Share-based compensation	17	5,368	5,409
		<u>(49,916)</u>	<u>(48,545)</u>
Changes in non-cash working capital:			
Trade and other receivables		17,749	9,942
Inventories		(16,914)	(18,252)
Prepaid expenses and other current assets		(356)	(3,046)
Trade and other payables		(8,660)	(5,037)
Deferred revenue		4,493	(474)
Warranty provision		(1,491)	1,168
		<u>(5,179)</u>	<u>(15,699)</u>
Cash used in operating activities		<u>(55,095)</u>	<u>(64,244)</u>
Investing activities:			
Contributions to long-term investments	10	(6,003)	(5,162)
Recovery of contributions of long-term investments	10	—	1,000
Additions to property, plant and equipment	7	(9,181)	(26,937)
Investment in intangible assets	8	(887)	(41)
Contingent consideration related to acquisition	14	—	(1,100)
Cash used in investing activities		<u>(16,071)</u>	<u>(32,240)</u>
Financing activities:			
Principal payments of lease liability	15	(1,799)	(1,943)
Net proceeds on issuance of share capital from stock option exercise	17	308	246
Cash used in financing activities		<u>(1,491)</u>	<u>(1,697)</u>
Effect of exchange rate fluctuations on cash and cash equivalents held		(441)	(486)
Decrease in cash and cash equivalents		(73,098)	(98,667)
Cash and cash equivalents, beginning of period		751,130	913,730
Cash and cash equivalents, end of period		\$ 678,032	\$ 815,063

Supplemental disclosure of cash flow information (note 23).

See accompanying notes to condensed consolidated interim financial statements.

BALLARD POWER SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2024 and 2023

Unaudited

(Tabular amounts expressed in thousands of U.S. dollars, except number of shares)

1. Reporting entity:

The principal business of Ballard Power Systems Inc. (the "Corporation") is the design, development, manufacture, sale and service of proton exchange membrane ("PEM") fuel cell products for a variety of applications, focusing on power products for bus, truck, rail, marine, stationary and emerging market (material handling, off-road and other) applications, as well as the delivery of services, including technology solutions, after sales services and training. 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 condensed consolidated interim financial statements of the Corporation as at and for the three and six months ended June 30, 2024 and 2023 comprise the Corporation and its subsidiaries.

2. Basis of preparation:**(a) Statement of compliance:**

These condensed consolidated interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with those material accounting policies followed in the most recent annual consolidated financial statements except as noted below, and therefore should be read in conjunction with the December 31, 2023 audited consolidated financial statements and the notes thereto.

The condensed consolidated interim financial statements were authorized for issue by the Audit Committee of the Board of Directors on August 9, 2024.

(b) Basis of measurement:

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

- Financial assets classified as measured at fair value through profit or loss (FVTPL); and
- Employee future benefits liability is recognized as the net of the present value of the defined benefit obligation, less the fair value of plan assets.

(c) Functional and presentation currency:

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

(d) Use of estimates:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS accounting standards 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.

BALLARD POWER SYSTEMS INC.

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2. Basis of preparation (cont'd):

(d) Use of estimates (cont'd):

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, goodwill, warranty provision, inventory and onerous contract provision, and fair value measurement (including long-term financial investments and goodwill). These assumptions are unchanged in these condensed consolidated interim financial statements and are the same as those applied in the Corporation's consolidated financial statements as at and for the year ended December 31, 2023. However, in the current environment, certain of these estimation uncertainty risks have increased in magnitude, primarily fair value measurement of goodwill.

(e) Future operations:

The Corporation is required to assess its ability to continue as a going concern or whether substantial doubt exists as to the Corporation's ability to continue as a going concern into the foreseeable future. The Corporation has forecast its cash flows for the foreseeable future and despite the ongoing volatility and uncertainties inherent in the business, the Corporation believes it has adequate liquidity in cash and working capital to achieve its liquidity objective. The Corporation's ability to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business is dependent upon the Corporation having adequate liquidity and achieving profitable operations that are sustainable.

The Corporation's strategy to mitigate this uncertainty is to continue its drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on revenue growth, improving overall gross margins, maintaining discipline over cash operating expenses, managing working capital and capital expenditure requirements, and securing additional financing to fund operations as needed until the Corporation does achieve profitable operations that are sustainable. Failure to implement this plan could have a material adverse effect on the Corporation's financial condition and or results of operations.

3. Material accounting policies:

Effective January 1, 2024, the Corporation adopted a number of new standards and interpretation, but they did not have a material impact on the Corporation's condensed consolidated interim financial statements.

The accounting policies in these condensed consolidated interim financial statements are the same as those applied in the Corporation's consolidated financial statements as at and for the year ended December 31, 2023.

4. 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 condensed consolidated financial statements are limited to management's assessment of the Corporation's ability to continue as a going concern (note 2(e)).

BALLARD POWER SYSTEMS INC.

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

Key sources of estimation uncertainty:

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 include the following: revenue recognition, asset impairment, goodwill, inventory and onerous contracts provision, and fair value measurement (including long-term financial investments and goodwill). These assumptions are unchanged in these condensed consolidated interim financial statements and are the same as those applied in the Corporation's consolidated financial statements as at and for the year ended December 31, 2023. However, in the current environment, certain of these estimation uncertainty risks have increased in magnitude, primarily fair value measurement of goodwill.

5. Trade and other receivables:

	June 30, 2024	December 31, 2023
Trade accounts receivable, gross	\$ 23,497	\$ 39,157
Allowance for doubtful accounts	(3,249)	(1,667)
Trade accounts receivable, net	20,248	37,490
Other receivables	5,409	7,806
Contract assets	13,674	13,269
	\$ 39,331	\$ 58,565

Contract assets

Contract assets primarily relate to the Corporation's rights to consideration for work completed but not billed as at June 30, 2024 for engineering services and technology transfer services.

	June 30, 2024
Contract assets	
January 1, 2024	\$ 13,269
Additions to contract assets	780
Invoiced during the period	(375)
At June 30, 2024	\$ 13,674

Information about the Corporation's exposure to credit and market risks, and impairment losses for trade receivables and contract assets is included in note 25.

6. Inventories:

During the three and six months ended June 30, 2024, the write-down of inventories to net realizable value including onerous contract adjustments amounted to \$1,418,000 and \$3,451,000 (2023 – \$2,285,000 and \$3,298,000) and the reversal of previously recorded write-downs and onerous contract adjustments amounted to \$720,000 and \$1,278,000 (2023 – \$100,000 and \$465,000), resulting in a net write-down of \$698,000 and \$2,173,000 (2023 – \$2,185,000 and \$2,833,000). Write-downs and reversals are included in either cost of product and service revenues or research and product development expense, depending upon the nature of inventory.

BALLARD POWER SYSTEMS INC.

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(Tabular amounts expressed in thousands of U.S. dollars, except number of shares)

7. Property, plant and equipment:

	June 30, 2024	December 31, 2023
Property, plant and equipment owned	\$ 111,448	\$ 102,206
Right-of-use assets	24,526	14,119
	\$ 135,974	\$ 116,325

Property, plant, and equipment owned:

	June 30, 2024	December 31, 2023
Net carrying amounts		
Building	\$ 347	\$ —
Computer equipment	1,258	1,405
Furniture and fixtures	4,162	1,436
Leasehold improvements	4,115	2,245
Production and test equipment	101,566	97,120
	\$ 111,448	\$ 102,206

Right-of-use assets:

The Corporation leases certain assets under lease agreements, comprising primarily of leases of land and buildings, office equipment, and vehicles (note 15).

	June 30, 2024	December 31, 2023
Net carrying amounts		
Property	\$ 24,091	\$ 13,691
Equipment	53	70
Vehicle	382	358
	\$ 24,526	\$ 14,119

Depreciation expense on property, plant, and equipment is allocated to operating expense or cost of goods sold depending upon the nature of the underlying assets. For the three and six months ended June 30, 2024, depreciation expense of \$3,598,000 and \$6,829,000 (2023 - \$2,953,000 and \$5,797,000) was recorded.

Additions to property, plant, and equipment assets for the six months ended June 30, 2024 total \$9,181,000 (2023 - \$26,937,000).

8. Intangible assets:

	June 30, 2024	December 31, 2023
ERP management reporting software system	\$ 1,783	\$ 1,406
	\$ 1,783	\$ 1,406

BALLARD POWER SYSTEMS INC.**Notes to Condensed Consolidated Interim Financial Statements**

Three and six months ended June 30, 2024 and 2023

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(Tabular amounts expressed in thousands of U.S. dollars, except number of shares)

8. Intangible assets (cont'd):

Balance	Cost	Accumulated amortization	Net carrying amount
At January 1, 2023	\$ 79,227	\$ 74,013	\$ 5,214
Additions to intangible assets	154	—	154
Amortization expense	—	1,696	(1,696)
Impairment on intangible assets	—	2,266	(2,266)
At December 31, 2023	79,381	77,975	1,406
Impaired asset retirement adjustment	(19,799)	(19,799)	—
Adjusted opening balance at December 31, 2023	59,582	58,176	1,406
Additions to intangible assets	887	—	887
Amortization expense	—	510	(510)
At June 30, 2024	\$ 60,469	\$ 58,686	\$ 1,783

Amortization expense on intangible assets is allocated to research and product development expense or general and administration expense depending upon the nature of the underlying assets. For the three and six months ended June 30, 2024, amortization expense of \$255,000 and \$510,000 (2023 - \$436,000 and \$864,000) was recorded.

Additions to intangible assets for the six months ended June 30, 2024 of \$887,000 (2023 - \$41,000) consist primarily of costs to expand and enhance the capabilities of the ERP management reporting software system.

9. Equity-accounted investments:

For the three and six months ended June 30, 2024, the Corporation recorded \$468,000 and \$1,302,000 (2023 - \$893,000 and \$1,755,000) in equity loss of investment in joint venture and associate, comprising of equity loss in Weichai Ballard Hy-Energy Technologies Co., Ltd. ("Weichai Ballard JV").

Investment in Weichai Ballard JV

	June 30, 2024	December 31, 2023
Investment in Weichai Ballard JV		
Beginning balance	\$ 13,901	\$ 24,026
Recognition (deferral) of 49% profit on inventory not yet sold to third party, net	(202)	1,205
Equity in loss	(1,302)	(9,931)
Cumulative translation adjustment due to foreign exchange	(537)	(1,399)
Ending balance	\$ 11,860	\$ 13,901

Weichai Ballard JV is an associate in which the Corporation has significant influence and a 49% ownership interest.

The following tables summarize the financial information of Weichai Ballard JV as included in its own financial statements as of June 30, 2024, adjusted for foreign exchange differences, the application of the Corporation's accounting policies and the Corporation's incorporation costs.

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(Tabular amounts expressed in thousands of U.S. dollars, except number of shares)

9. Equity-accounted investments (cont'd):*Investment in Weichai Ballard JV (cont'd)*

	June 30,		December 31,	
	2024		2023	
Percentage ownership interest (49%)				
Current assets	\$	54,026	\$	63,023
Non-current assets		88		132
Current liabilities		(23,995)		(29,265)
Net assets (100%)		30,119		33,890
Corporation's share of net assets (49%)		14,758		16,607
Incorporation costs		324		324
Elimination of unrealized profit on downstream sales, net of sales to third party		(3,222)		(3,030)
Carrying amount of investment in Weichai Ballard JV	\$	11,860	\$	13,901

	Three months ended June 30,		Six months ended June 30,	
	2024		2023	
Revenue (100%)	\$	306	\$	61
Net loss (100%)		956		1,822
Corporation's share of net loss (49%)	\$	468	\$	893

10. Long-term financial investments:

In addition to the above equity-accounted investments, the Corporation has also acquired ownership interest in various other investments, which are recognized at fair value (note 25).

	December 31,		Contributions		Change in Fair		June 30,	
	2023		(Proceeds)		Value		2024	
Net carrying value								
Long-term investment - Forsee Power SA	\$	14,969	\$	—	\$	(9,937)	\$	5,032
Long-term investment - Wisdom Motor		4,100		—		—		4,100
Long-term investment - Quantron AG		4,400		1		(138)		4,263
Long-term investment - HyCap Fund		12,801		1,396		5,763		19,960
Long-term investment - Clean H2 Fund		4,075		4,110		(311)		7,874
Long-term investment - Templewater Fund		—		496		—		496
	\$	40,345	\$	6,003	\$	(4,623)	\$	41,725

	December 31,		Contributions		Change in Fair		June 30,	
	2022		(Proceeds)		Value		2023	
Net carrying value								
Long-term investment - Forsee Power SA	\$	18,470	\$	—	\$	149	\$	18,619
Long-term investment - Wisdom Motor		10,000		(1,000)		—		9,000
Long-term investment - Quantron AG		5,333		3,304		55		8,692
Long-term investment - HyCap Fund		7,963		869		(109)		8,723
Long-term investment - Clean H2 Fund		565		989		(199)		1,355
	\$	42,331	\$	4,162	\$	(104)	\$	46,389

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10. Long-term financial investments (cont'd):

During the three and six months ended June 30, 2024, changes in fair value and foreign exchange adjustments for long-term investments totalling \$1,679,000 and \$(4,623,000) (2023 - \$352,000 and \$(104,000)) were recognized as unrealized gain (loss) in net loss and included in finance income and other (notes 20 and 25).

Investment in Forsee Power SA

In October 2021, the Corporation acquired a non-controlling 9.8% equity interest in Forsee Power SA ("Forsee Power"), a French company specializing in the design, development, manufacture, commercialization, and financing of smart battery systems for sustainable electric transport.

During the three and six months ended June 30, 2024, changes in fair value and foreign exchange adjustments totalling \$(4,052,000) and \$(9,937,000) (2023 - \$889,000 and \$149,000) were recognized as an unrealized gain (loss) in net loss and included in finance income and other (notes 20 and 25), resulting in net fair value investment in Forsee Power of \$5,032,000 (2023 - \$18,619,000) as of June 30, 2024, now representing a non-controlling 7.3% equity interest.

Investment in Wisdom Group Holdings Ltd.

In June 2022, the Corporation invested \$10,000,000 and acquired a non-controlling 7.2% interest in Wisdom Group Holdings Ltd. ("Wisdom Motor"), a privately held Cayman Islands holding company with operating subsidiaries whose business includes the design and manufacture of vehicles, including zero emission fuel cell electric buses, trucks, and battery-electric vehicles. Subsequently, the Corporation assigned its option held to purchase additional Series A Preferred Shares in Wisdom for consideration of \$1,000,000, resulting in recovery of contributions of \$1,000,000. The exercise of this option by the acquiring counterparties, diluted the Corporation's ownership interest from 7.2% to 6.7% as of June 30, 2024.

During the three and six months ended June 30, 2024, changes in fair value and foreign exchange adjustments totalling \$nil (2023 - \$nil) were recognized as an unrealized loss in net loss and included in finance income and other (notes 20 and 25), resulting in net fair value investment in Wisdom Motor of \$4,100,000 (2023 - \$9,000,000) as of June 30, 2024.

Investment in Quantron AG

In September 2022, the Corporation invested €5,000,000 (\$5,183,000) and acquired a non-controlling 1.9% equity interest in Quantron AG, a global electric vehicle integrator and an emerging specialty OEM to accelerate fuel cell truck adoption. Subsequently in April 2023, the Corporation made a committed additional contribution of €3,000,000 (\$3,304,000) to exercise its option to purchase an additional 793 shares, resulting in a non-controlling ownership interest of 3.0% in Quantron AG as of June 30, 2024. In May 2024, the Corporation made a nominal additional contribution of \$1,000 to purchase additional shares in order to maintain its non-controlling 3.0% equity interest.

During the three and six months ended June 30, 2024, foreign exchange adjustments totalling \$(43,000) and \$(138,000) (2023 - \$(49,000) and \$55,000) were recognized as an unrealized loss in net loss and included in finance income and other (notes 20 and 25), resulting in net fair value investment in Quantron AG of \$4,263,000 (2023 - \$8,692,000) as of June 30, 2024.

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(Tabular amounts expressed in thousands of U.S. dollars, except number of shares)

10. Long-term financial investments (cont'd):*Investment in Hydrogen Funds**HyCap Fund I SCSp*

In August 2021, the Corporation invested in HyCap Fund I SCSp ("HyCap"), a special limited partnership registered in Luxembourg. During the three and six months ended June 30, 2024, the Corporation made additional contributions of £821,000 and £1,105,000 (\$1,038,000 and \$1,396,000) (2023 - £nil and £724,000 (\$nil and \$869,000)) for total contributions of £12,092,000 (\$15,608,000).

During the three and six months ended June 30, 2024, changes in fair value and foreign exchange adjustments totalling \$5,837,000 and \$5,763,000 and (2023 - \$(363,000) and \$(109,000)) were recognized as unrealized gain (loss) in net loss and included in finance income and other (notes 20 and 25), resulting in net fair value investment in HyCap of \$19,960,000 (2023 - \$8,723,000) as of June 30, 2024.

Clean H2 Infrastructure Fund

In December 2021, the Corporation invested in Clean H2 Infrastructure Fund I ("Clean H2"), a special limited partnership registered in France. During the three and six months ended June 30, 2024, the Corporation made additional contributions of €2,706,000 and €3,804,000 (\$2,909,000 and \$4,110,000) (2023 - €915,000 (\$989,000)) for total contributions of €8,505,000 (\$9,256,000).

During the three and six months ended June 30, 2024, changes in fair value and foreign exchange adjustments totalling \$(63,000) and \$(311,000) (2023 - \$(125,000) and \$(199,000)) were recognized as an unrealized loss in net loss and included in finance income and other (notes 20 and 25), resulting in net fair value investment in Clean H2 of \$7,874,000 (2023 - \$1,355,000) as of June 30, 2024.

Templewater Fund

In February 2024, the Corporation invested in Templewater Decarbonization I, L.P. ("Templewater"), a special limited partnership registered in Cayman Islands. During the three and six months ended June 30, 2024, the Corporation made an initial contribution of \$nil and \$496,000 (2023 - \$nil), representing a 2% equity interest, on a total commitment of \$1,000,000, remainder yet to be paid.

During the three and six months ended June 30, 2024, changes in fair value and foreign exchange adjustments totalling \$nil (2023 - \$nil) were recognized as an unrealized loss in net loss and included in finance income and other (notes 20 and 25), resulting in net fair value investment in Templewater of \$496,000 (2023 - \$nil) as of June 30, 2024.

11. Bank facilities:

The Corporation has the following bank facilities available to it.

Letter of Guarantee Facility

The Corporation has a Letter of Guarantee Facility ("LG Facility"), enabling the bank to issue letters of guarantees, standby letters of credit, performance bonds, counter guarantees, counter standby letters of credit or similar credits on the Corporation's behalf from time to time up to a maximum of \$2,000,000.

As at June 30, 2024, €979,000 (\$1,048,000) (2023 - \$nil) was outstanding on the LG Facility.

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11. Bank facilities (cont'd):

The Corporation also has a \$25,000,000 Foreign Exchange Facility ("FX Facility") that enables the Corporation to enter into foreign exchange currency contracts (at face value amounts in excess of the FX facility) secured by a guarantee from Export Development Canada.

At June 30, 2024, the Corporation had outstanding foreign exchange currency contracts to purchase a total of CDN \$35,000,000 (2023 – CDN \$31,500,000) at an average rate of 1.36 CDN per U.S. dollar, resulting in an unrealized gain (loss) of CDN \$(201,000) (2023 – CDN \$488,000) at June 30, 2024. The unrealized gain on forward foreign exchange contracts is presented in prepaid expenses and other current assets on the statement of financial position and the unrealized loss on forward foreign exchange contracts is presented in trade and other payables.

12. Trade and other payables:

	June 30, 2024	December 31, 2023
Trade accounts payable	\$ 21,404	\$ 13,724
Compensation payable	12,081	19,235
Other liabilities	4,686	5,628
Taxes payable	162	1,109
	\$ 38,333	\$ 39,696

13. Deferred revenue:

Deferred revenue (i.e. contract liabilities) represents cash received from customers in excess of revenue recognized on uncompleted contracts.

	June 30, 2024	December 31, 2023
Deferred revenue		
Beginning balance	\$ 4,588	\$ 8,030
Additions to deferred revenue	8,530	21,790
Revenue recognized during the period	(4,037)	(25,232)
Ending balance	\$ 9,081	\$ 4,588

14. Provisions:

	June 30, 2024	December 31, 2023
Restructuring provision	\$ 162	\$ 422
Warranty provision	13,507	14,997
Onerous contracts provision	7,692	6,300
Contingent consideration	78	78
Current	\$ 21,439	\$ 21,797

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14. Provisions (cont'd):*Onerous Contracts Provision*

Upon completion of a review of the Corporation's "open" contracts as of June 30, 2024, total onerous contract costs of \$7,692,000 (December 31, 2023 - \$6,300,000) have been accrued in provisions and other current liabilities.

The Corporation will continue to review open contracts on a quarterly basis to determine if any ongoing or new contracts become onerous, and if any of the underlying conditions or assumptions change which would require an adjustment to the accrued provision.

Contingent Consideration

As part of the post-acquisition restructuring of operations at Ballard Motive Solutions in the UK in 2022 (note 22), there was a change in estimate in the fair value of contingent consideration due to changes in expectation of achieving milestones. The contingent consideration provision now comprises the last remaining milestone at its estimated value of \$78,000 (December 31, 2023 - \$78,000).

During the six months ended June 30, 2023, the Corporation made cash payments totalling \$1,100,000 for successful achievement of certain performance milestones.

15. Lease liability:

The Corporation leases certain assets under lease agreements. The lease liability consists primarily of leases of land and buildings, office equipment and vehicles. The leases have interest rates ranging from 2.95% to 9.42% per annum and expire between May 2025 and February 2035.

	June 30, 2024	December 31, 2023
Property	\$ 3,343	\$ 4,368
Equipment	38	38
Vehicle	118	99
Lease Liability, Current	\$ 3,499	\$ 4,505
Property	\$ 24,241	\$ 13,078
Equipment	12	32
Vehicle	279	283
Lease Liability, Non-Current	\$ 24,532	\$ 13,393
Lease Liability, Total	\$ 28,031	\$ 17,898

During the six months ended June 30, 2024, the Corporation made principal payments on lease liabilities totalling \$1,799,000 (2023 - \$1,943,000). The Corporation is committed to future minimum lease payments (comprising principal and interest) as follows:

Maturity Analysis	June 30, 2024
Less than one year	\$ 5,589
Between one and five years	17,317
More than five years	16,180
Total undiscounted lease liabilities	\$ 39,086

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15. Lease liability (cont'd):

Deferred gains on closing of finance lease agreements are amortized over the lease term. At June 30, 2024, the outstanding deferred gain was \$277,000 (December 31, 2023 – \$485,000).

16. Other non-current liabilities and employee future benefits:

	June 30, 2024	December 31, 2023
Other non-current liabilities	\$ 2,289	\$ 2,337
Employee future benefits	(486)	(475)
Other non-current liabilities and employee future benefits	\$ 1,803	\$ 1,862

Non-current liabilities: Decommissioning liabilities

A provision for decommissioning liabilities for the Corporation's head office building is related to estimated site restoration obligations at the end of the lease term. As at June 30, 2024, total decommissioning liabilities amounted to \$2,289,000 (December 31, 2023 - \$2,337,000), resulting from accretion (dilution) of (\$48,000) (2023 - \$59,000).

17. Equity:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Option Expense	\$ 206	\$ 707	\$ 657	\$ 1,966
DSU Expense	133	96	249	206
RSU Expense	2,229	2,142	4,462	3,015
Total Share-based Compensation for continuing operations (per statement of loss)	\$ 2,568	\$ 2,945	\$ 5,368	\$ 5,187
Discontinued operations	—	149	—	222
Total Share-based Compensation (per statement of equity)	\$ 2,568	\$ 3,094	\$ 5,368	\$ 5,409

(a) Share capital:

At June 30, 2024, 299,408,379 common shares were issued and outstanding.

(b) Share options:

	Options for common shares
At December 31, 2023	4,390,222
Options exercised	(154,509)
Options cancelled	(101,718)
At June 30, 2024	4,133,995

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17. Equity (cont'd):**(b) Share options (cont'd):**

During the three and six months ended June 30, 2024, compensation expense of \$206,000 and \$657,000 (2023 – \$707,000 and \$1,966,000) was recorded in net loss, based on the grant date fair value of the options recognized over the vesting period.

During the three and six months ended June 30, 2024, 5,028 and 154,509 (2023 – 26,400 and 119,284) options were exercised for a equal amount of common shares for proceeds of \$14,000 and \$308,000 (2023 – \$84,000 and \$246,000).

As at June 30, 2024, options to purchase 4,133,995 common shares were outstanding (2023 - 4,527,738).

(c) Deferred share units:

	DSUs for common shares
At December 31, 2023	737,369
DSUs granted	100,839
At June 30, 2024	838,208

Deferred share units (“DSUs”) are granted to the board of directors and executives. Eligible directors must elect to receive at least half 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, net of statutory tax withholdings, after the director or executive ceases to provide services to the Corporation.

During the three and six months ended June 30, 2024, \$133,000 and \$249,000 (2023 - \$96,000 and \$206,000) of compensation expense was recorded in net loss relating to 59,064 and 100,839 (2023 - 21,986 and 41,714) DSUs granted during the period.

During the same period, nil (2023 - nil and 65,499) DSUs were exercised, net of applicable taxes, which resulted in the issuance of nil common shares (2023 - nil and 31,736), resulting in an impact on equity of \$nil (2023 - \$nil and \$(171,000)).

As at June 30, 2024, 838,208 deferred share units were outstanding (2023 - 685,895).

(d) Restricted share units:

	RSUs for common shares
At December 31, 2023	3,141,446
RSUs granted	3,134,497
RSU performance factor adjustment	(4,161)
RSUs exercised	(596,421)
RSUs forfeited	(58,903)
At June 30, 2024	5,616,458

Restricted share units (“RSUs”) are granted to certain employees and executives. Each RSU is convertible into one common share, net of statutory tax withholdings. The RSUs vest after a specified number of years from date of issuance and, under certain circumstances, are contingent on achieving specified performance criteria and/or market criteria. A performance factor adjustment is made if there is an over-achievement (or under-achievement) of specified performance criteria, resulting in additional (or fewer) RSUs being converted.

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17. Equity (cont'd):

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

During the three and six months ended June 30, 2024, compensation expense of \$2,229,000 and \$4,462,000 (2023 – \$2,142,000 and \$3,015,000) was recorded in net loss.

During the three and six months ended June 30, 2024, 212,282 and 596,421 RSUs (2023 - 7,313 and 95,236) were exercised, net of applicable taxes, which resulted in the issuance of 116,716 and 318,164 common shares (2023 - 3,496 and 44,698) resulting in an impact on equity of \$(308,000) and \$(825,000) (2023 - \$(17,000) and \$(253,000)).

As at June 30, 2024, 5,616,458 restricted share units were outstanding (2023 - 2,787,252).

18. Disaggregation of revenue:

The Corporation's operations and main revenue streams are the same as those described in the Corporation's consolidated financial statements as at and for the year ended December 31, 2023. Revenues from the delivery of services, including technology solutions, after sales services and training, are included in each of the respective markets. The Corporation's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by geographical market (based on location of customer), by market application, and by timing of revenue recognition.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Geographical markets				
Europe	\$ 10,175	\$ 6,579	\$ 21,140	\$ 14,919
North America	3,968	6,088	6,099	9,741
China	1,211	2,181	2,359	3,362
Rest of World	649	466	857	535
	\$ 16,003	\$ 15,314	\$ 30,455	\$ 28,557
Application				
Bus	\$ 11,036	\$ 6,010	\$ 19,904	\$ 8,910
Truck	1,677	988	2,830	3,350
Rail	4	1,080	346	2,795
Marine	455	394	671	2,053
HD Mobility Subtotal	\$ 13,172	\$ 8,472	\$ 23,751	\$ 17,108
Stationary	1,663	3,528	5,314	5,994
Emerging Markets and Other	1,168	3,314	1,390	5,455
	\$ 16,003	\$ 15,314	\$ 30,455	\$ 28,557
Timing of revenue recognition				
Products transferred at a point in time	\$ 13,428	\$ 9,096	\$ 25,291	\$ 17,807
Products and services transferred over time	2,575	6,218	5,164	10,750
	\$ 16,003	\$ 15,314	\$ 30,455	\$ 28,557

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19. Other operating expense:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net impairment loss on trade receivables	\$ 21	\$ 17	\$ 1,691	\$ 17
Acquisition-related costs	—	85	—	743
Restructuring and related costs	161	158	191	980
	\$ 182	\$ 260	\$ 1,882	\$ 1,740

During the three and six months ended June 30, 2024, the Corporation recorded a net impairment loss on trade receivables of \$21,000 and \$1,691,000 (2023 - \$17,000 and \$17,000), consisting primarily of receivables no longer deemed collectible. 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.

Acquisition related costs of \$nil for the three and six months ended June 30, 2024 (2023 - \$85,000 and \$743,000) consist primarily of legal, advisory, and transaction-related costs incurred on corporate development activities.

During the three and six months ended June 30, 2024, total restructuring and related charges of \$161,000 and \$191,000 (2023 - \$158,000 and \$980,000) consist primarily of certain cost cutting measures and related personnel change costs.

20. Finance income (expense):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Employee future benefit plan expense	\$ (8)	\$ (60)	\$ (9)	\$ (82)
Investment income	9,797	10,932	20,101	21,417
Mark-to-market gain (loss) on financial assets (notes 10 & 25)	1,679	352	(4,623)	(104)
Foreign exchange (loss) gain	(453)	674	(1,745)	876
Government levies	—	(100)	—	(100)
Finance income and other	\$ 11,015	\$ 11,798	\$ 13,724	\$ 22,007
Finance expense	\$ (590)	\$ (262)	\$ (1,021)	\$ (545)

21. Related party transactions:

Related parties include shareholders with a significant ownership interest in the Corporation, including its subsidiaries and affiliates, and the Corporation's equity accounted investee, Weichai Ballard JV (note 9).

For the three and six months ended June 30, 2024, related party transactions and balances with the Corporation's 49% owned equity accounted investee, Weichai Ballard JV, were as follows:

	June 30,	December 31,
	2024	2023
Balances with related party - Weichai Ballard JV		
Trade and other receivables	\$ 14,556	\$ 13,697
Investments	11,860	13,901
Deferred revenue	1,737	1,904

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21. Related party transactions (cont'd):

Transactions during the period with Weichai Ballard JV	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenues	\$ 1,211	\$ 899	\$ 2,218	\$ 1,909
Cost of goods sold and operating expense	722	549	1,661	1,157

22. Discontinued operations:

On November 11, 2021, the Corporation acquired BMS (formerly Arcola Energy Limited), a UK-based systems engineering company specializing in hydrogen fuel cell systems and powertrain integration. The Corporation acquired 100% of Arcola for total consideration of up to \$40,000,000, consisting of up-front net cash consideration of \$7,157,000, and including 337,353 shares of the Corporation with an acquisition date fair value of approximately \$4,851,000 (all shares have been issued as of December 31, 2023) vesting over a two year period from the acquisition date, and \$26,258,000 in earn-out cash contingent consideration based on the achievement of certain performance milestones over an up to three year period from the acquisition date.

Subsequent to the acquisition, the Corporation re-evaluated the business model of BMS and during the year ended December 31, 2022, the Corporation decided to exit the vehicle integration business of BMS and made certain restructuring changes to its operations. During the year ended December 31, 2023, the Corporation completed a further restructuring of operations at BMS and effectively closed the operation. As such, the historic operating results of the BMS business for both 2024 and 2023 have been removed from continuing operating results and are instead presented separately in the condensed consolidated interim statements of loss and comprehensive loss as loss from discontinued operations.

Net loss from discontinued operations for the three and six months ended June 30, 2024 and 2023 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Product and service revenues	\$ —	\$ (6)	\$ —	\$ 96
Cost of product and service revenues	—	—	—	33
Gross margin	—	(6)	—	63
Total operating expenses	(1)	(1,942)	(235)	(3,627)
Finance income and other	—	67	3	152
Finance expense	—	(2)	5	(1)
Net loss from discontinued operations	\$ (1)	\$ (1,883)	\$ (227)	\$ (3,413)

Net cash flows from discontinued operations for the three and six months ended June 30, 2024 and 2023 were as follows:

	Six months ended June 30,	
	2024	2023
Cash used in operating activities	\$ (733)	\$ (2,420)
Cash used in financing activities	—	(139)
Cash used in discontinued operations	\$ (733)	\$ (2,559)

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23. Supplemental disclosure of cash flow information:

Non-cash financing and investing activities:	Six months ended June 30,	
	2024	2023
Compensatory shares	\$ 2,365	\$ 427

24. Operating segments:

The Corporation operates in a single operating segment, Fuel Cell Products and Services, which consists of the sale of PEM fuel cell products and services for a variety of applications including Heavy-Duty Mobility (consisting of bus, truck, rail and marine applications), Stationary Power, and Emerging and Other Markets (consisting of material handling, off-road, and other applications). The delivery of services, including technology solutions, after sales service and training, are included in each of the respective markets.

25. Financial Instruments:

(a) Fair value:

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables, long-term financial investments, and trade and other payables. 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.

Long-term financial investments (note 10) comprise newly-created hydrogen infrastructure and growth equity funds: HyCap Fund, Clean H2 Fund and Templewater, and an investment in Forsee Power, Wisdom Motor and Quantron AG. Changes in fair value and foreign exchange adjustments are recognized as gains or losses in net loss and included in finance income and other (note 20). During the three and six months ended June 30, 2024, the Corporation recognized net mark to market and foreign exchange losses of \$1,679,000 and \$(4,623,000) (2023 - \$352,000 and \$(104,000)).

	Six months ended	Year ended
	June 30, 2024	December 31, 2023
Increase (decrease) in fair value due to MTM and foreign exchange		
Long-term investment - Forsee Power	\$ (9,937)	\$ (3,501)
Long-term investment - Wisdom Motor	—	(4,900)
Long-term investment - Quantron AG	(138)	(4,237)
Long-term investment - HyCap Fund	5,763	214
Long-term investment - Clean H2 Fund	(311)	(473)
Long-term investment - Templewater Fund	—	—
Decrease in fair value of investments	\$ (4,623)	\$ (12,897)

(b) Credit risk:

IFRS 9 Financial Instruments requires impairment losses to be recognized based on "expected losses" that will occur in the future, incorporating forward looking information relating to defaults and applies a single ECL impairment model that applies to all financial assets within scope. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive). Under *IFRS 9*, at each reporting date the Corporation is required to assess whether financial assets carried at amortized cost are credit-impaired.

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25. Financial Instruments (cont'd):

(b) Credit risk (cont'd):

As a result of this review for the three and six months ended June 30, 2024, the Corporation did not recognize any additional estimated ECL impairment losses, excluding specific impairment losses (note 19). At June 30, 2024, the total amount accrued was \$500,000.