Hydrogenics Corporation

Notice of Annual and Special Meeting of Shareholders

June 3, 2011

Management Proxy Circular

Notice of Annual and Special Meeting of Shareholders of Hydrogenics Corporation

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<td>
Date:

June 3, 2011

Time:
10:00 a.m. (Eastern Time)

Place:
Hydrogenics Corporation
220 Admiral Boulevard
Mississauga, Ontario, Canada
</td>
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Business of the Annual and Special Meeting of the Common Shareholders

The business of the meeting will be to:

1. receive the consolidated financial statements of the Company for the year ended December 31, 2010, together with the report of the auditors on those statements;

2. reappoint PriceWaterhouseCoopers LLP as auditors of the Company and authorize the Audit Committee of the Board of Directors to fix their remuneration;

3. elect directors for the ensuing year;

4. to consider and, if deemed fit, approve an amendment to the Company's stock option plan; and

5. transact such other business as may properly be brought before the meeting.
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At the meeting, you will have an opportunity to hear about our 2010 performance and plans for the Company going forward. The accompanying management proxy circular provides additional information relating to the business to be considered at the meeting and forms part of this notice.

You are entitled to vote at the meeting, and any adjourned or postponed meeting, if you are a holder of our common shares as of 5:00 p.m. (Toronto time) on April 15, 2011.

If you cannot attend the meeting in person, you may vote by proxy. Instructions on how to complete and return the proxy are provided with the proxy form and are described in the management proxy circular. To be valid, proxies must be received by CIBC Mellon Trust Company by mail at P.O. Box 721, Agincourt, Ontario, Canada, M1S 0A1 or by fax to (416) 368-2502 or 1 (866) 781-3111 (toll free), no later than 5:00 p.m. (Toronto time) on June 1, 2011 or, if the meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the adjourned or postponed meeting.

By the order of the Board of Directors,

Lawrence Davis
Chief Financial Officer and Corporate Secretary
Toronto, March 28, 2011

What's Inside

Management Proxy Circular

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting, we encourage you to cast your vote. Your participation as a shareholder is very important to us. Details about voting may be found starting on page 1 of this Circular.

About This Circular and Related Proxy Materials

We are providing this circular and proxy materials to you in connection with the annual and special meeting of shareholders of Hydrogenics Corporation ("Hydrogenics", "Corporation" or the "Company") on June 3, 2011 (the "Meeting"). As a shareholder, you are invited to attend the Meeting. If you are unable to attend, you may still vote by completing the proxy or voting instruction form that was mailed to you. This proxy circular describes the items to be voted on at the Meeting and the voting process, and provides information about executive compensation, our corporate governance practices and other matters.

Please see the "Solicitation of Proxies and Voting Instructions" section below for an explanation of how you can vote on the matters to be considered at the Meeting, whether or not you decide to attend the Meeting.

In this proxy circular, unless the context otherwise requires, all references to "we," "us" and "our" refer to Hydrogenics and its subsidiaries. Unless otherwise indicated, all amounts in this circular are in U.S. dollars.

This proxy circular is dated as of March 28, 2011, and except as otherwise indicated, all the information contained in this proxy circular is given as of that date.

Solicitation of Proxies and Voting Instructions

The information contained in this management proxy circular is furnished in connection with the solicitation of proxies from registered owners of common shares (the "Shares") of Hydrogenics (and of voting instructions in the case of non-registered owners of Shares) to be used at the Meeting, and at all adjournments and postponements of the Meeting, for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be made primarily by mail, but proxies and voting instructions may also be solicited personally by employees of the Company. **The solicitation of proxies and voting instructions by this circular is being made by or on behalf of the management of the Company.** The total cost of the solicitation of proxies will be borne by the Company.

Registered Owners

If you are a registered owner of Shares, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Shares at the Meeting. If you wish to attend the Meeting, do not complete or return the enclosed form of proxy because you will vote in person at the Meeting. Please register with the transfer agent, CIBC Mellon Trust Company ("CIBC Mellon"), when you arrive at the Meeting.

Appointment of Proxies

If you do not wish to attend the Meeting, you should complete and return the enclosed form of proxy. The individuals named in the form of proxy are representatives of management of the Company and are officers of the Company. **You have the right to appoint someone else to represent you at the Meeting.** If you wish to appoint someone else to represent you at the Meeting, insert that other person's name in the blank space in the form of proxy. The person you appoint to represent you at the Meeting need not be a shareholder of the Company.

To be valid, proxies must be received by CIBC Mellon by mail at P.O. Box 721, Agincourt, Ontario, Canada, M1S 0A1 or by fax to (416) 368-2502 or 1 (866) 781-3111 (toll free), not later than 5:00 p.m. (Toronto time) on June 1, 2011 or, if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed meeting.

Failure to properly complete or deposit a proxy may result in its invalidation. The time limit for the deposit of proxies may be waived by the Board of Directors at its discretion without notice.

Revocation

If you have submitted a proxy and later wish to revoke it, you can do so by:

(a) completing and signing a form of proxy bearing a later date and depositing it with CIBC Mellon as described above;

(b) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf): (i) at the registered office of the Company at any time up to the last business day preceding the date of the Meeting, or any adjournment or postponement of the Meeting, at which the proxy is to be used; or (ii) with the chair of the Meeting before the Meeting starts on the day of the Meeting or any adjournment or postponement of the Meeting; or

(c) following any other procedure that is permitted by law.

Voting of Proxies

In connection with any ballot that may be called for, the management representatives designated in the enclosed form of proxy will vote or withhold from voting your Shares in accordance with the instructions you have indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. **In the absence of any direction, your Shares will be voted by the management representatives: (i) FOR the reappointment of the auditors; (ii) FOR the election of directors; and (iii) FOR the resolution approving an amendment to our stock option plan.**

The management representatives designated in the enclosed form of proxy have discretionary authority with respect to amendments to matters identified in the notice of meeting and with respect to other matters that may properly come before the Meeting. At the date of this circular, management of the Company knows of no such amendments or other matters.

Non-registered Owners

If your Shares are registered in the name of a depository (such as CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms), or an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan), you are a non-registered owner.

Only registered owners of Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. If you are a non-registered owner, you are entitled to direct how the Shares beneficially owned by you are to be voted or you may appoint yourself or a representative that will entitle you or your representative to attend and vote at the Meeting.

In accordance with the *Canada Business Corporations Act* ("CBCA") and Canadian securities law, the Company has distributed copies of the notice of meeting, this management proxy circular and the 2010 annual report (collectively, the "meeting materials") to the intermediaries for onward distribution to non-registered owners who have not waived their right to receive them. Typically, intermediaries will use a service company (such as Broadridge Investor Communications Solutions) to forward the meeting materials to non-registered owners.

If you are a non-registered owner and have not waived your right to receive meeting materials, you will receive either a request for voting instructions or a form of proxy with your meeting materials. The purpose of these documents is to permit you to direct the voting of the Shares you beneficially own. You should follow the procedures set out below, depending on which type of document you receive:

(1) Request for Voting Instructions

If you do not wish to attend the Meeting (or have another person attend and vote on your behalf), you should complete, sign and return the enclosed request for voting instructions in accordance with the directions provided. You may revoke your voting instructions at any time by written notice to your intermediary, except that the intermediary is not required to honour the revocation unless it is received at least seven days before the Meeting.

If you wish to attend the Meeting and vote in person (or have another person attend and vote on your behalf), you must complete, sign and return the enclosed request for voting instructions in accordance with the directions provided and a form of proxy will be sent to you giving you (or the other person) the right to attend and vote at the Meeting. You (or the other person) must register with the transfer agent, CIBC Mellon, when you arrive at the Meeting.

- or –

(2) Form of Proxy

The form of proxy has been signed by the intermediary (typically by a facsimile, stamped signature) and completed to indicate the number of Shares beneficially owned by you. Otherwise, the form of proxy is incomplete.

If you do not wish to attend the Meeting, you should complete the form of proxy in accordance with the instructions set out in the section titled "Registered Owners" above.

If you wish to attend the Meeting, you must strike out the names of the persons named in the proxy and insert your name in the blank space provided. To be valid, proxies must be received by CIBC Mellon by mail at P.O. Box 721, Agincourt, Ontario, Canada, M1S 0A1 or by fax to (416) 368-2502 or 1 (866) 781-3111 (toll free), not later than 5:00 p.m. (Toronto time) on June 1, 2011 or, if the Meeting is adjourned or postponed, 48 hours, (excluding Saturdays, Sundays and holidays) before any adjourned or postponed meeting. You must register with the transfer agent, CIBC Mellon, when you arrive at the Meeting.

You should follow the instructions on the document that you have received and contact your intermediary promptly if you need assistance

Revocation

If you have submitted a proxy and later wish to revoke it, you can do so by:

(a) completing and signing a form of proxy bearing a later date and depositing it with CIBC Mellon as described above;

(b) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf): (i) at the registered office of the Company at any time up to the last business day preceding the date of the Meeting, or any adjournment or postponement of the Meeting, at which the proxy is to be used, or (ii) with the chair of the Meeting before the Meeting starts on the day of the Meeting or any adjournment or postponement of the Meeting; or

(c) following any other procedure that is permitted by law.

Voting Shares

Each holder of Shares of record at the close of business on April 15, 2011, the record date established for notice of the Meeting and for voting, will be entitled to vote on all matters proposed to come before the Meeting on the basis of one vote for each Share held.

As of March 28, 2011, the Company had 5,488,630 Shares outstanding. To the knowledge of our directors and officers, as of March 28, 2011, no person or company beneficially owns, directly or indirectly, or exercises control or direction over Shares carrying more than 10% of the voting rights attached to our outstanding Shares other than CommScope, Inc. of North Carolina, a wholly owned subsidiary of CommScope, Inc. ("CommScope"), which owns 1,086,661 Shares, representing 19.8% of our outstanding Shares.

Business of the Meeting

FINANCIAL STATEMENTS

Our consolidated financial statements for the year ended December 31, 2010 are included in our 2010 annual report, which was mailed to shareholders together with this proxy circular. The consolidated financial statements and the auditors' report on those consolidated financial statements will be submitted to shareholders at the Meeting but no vote is required in respect of the consolidated financial statements, nor will one be taken.

REAPPOINTMENT OF AUDITORS

Based on the recommendation of the Audit Committee, our Board of Directors proposes that PriceWaterhouseCoopers LLP ("PwC") be reappointed as our auditors for the ensuing year, at a remuneration to be determined by the Audit Committee. Pursuant to its charter, the Audit Committee has reviewed the nature and amount of audit and non-audit services provided by PwC to ensure auditor independence.

To be effective, this resolution must be passed by more than 50% of the votes cast by holders of Shares present in person or represented by proxy and entitled to vote at the Meeting. The management representatives designated in the enclosed form of proxy intend to vote **FOR** the reappointment of PwC as auditors of the Company, to hold office until the next annual meeting of shareholders and to authorize the Audit Committee to fix the auditors' remuneration. PwC has served as auditors of the Company since 2000.

Fees payable to PwC for the years ended December 31, 2010 and 2009 were as set out below.

Audit Fees

In 2010 and 2009, PwC charged us audit fees totalling, CA $310,714 and CA $519,940, respectively. In 2010 and 2009, these fees included professional services rendered for the review of interim consolidated financial statements, statutory audits of annual consolidated financial statements, consultations about financial and reporting standards and other regulatory audits and filings, including United States *Sarbanes-Oxley Act of 2002* ("SOX") compliance.

Audit-Related Fees

In 2010 and 2009, PwC charged us audit related fees of CA $10,352 and CA $4,725, respectively. In 2010 and 2009, these fees included professional services that reasonably relate to the above services and Canadian Public Accounting Board Fees.

Tax Fees

In 2010 and 2009, PwC charged us tax fees of CA $7,685 and CA $42,821, respectively. In 2010 and 2009, these fees included professional services for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax returns.

All Other Fees

In 2010 and 2009, PwC charged us other fees of CA $29,425 and CA $282,626, respectively. In 2010, these fees related to assistance with the preparation of our base shelf prospectus filed in January 2010 and other regulatory matters. In 2009, these fees related to assistance with the implementation of International Financial Reporting Standards ("IFRS"), assistance with the preparation of our base shelf prospectus filed in January 2010 and other regulatory matters.

ELECTION OF DIRECTORS

Under the Articles of the Company, our Board of Directors consists of a minimum of three members and a maximum of twelve members; the number of directors within such range is to be determined by our Board from time to time. Our Board has determined that the number of directors of the Company shall be fixed at six and the number of directors to be elected at the Meeting shall be six.

The following tables provide background information on the six nominee directors proposed to be elected, as well as the number of Shares over which direction or control is exercised by the director, and stock options, deferred share units ("DSUs") restricted share units ("RSUs") held, in each case, as at March 28, 2011. All of the nominees have been directors of the Company since the dates indicated below. Pursuant to our strategic alliance with General Motors Corporation, General Motors Corporation is entitled to nominate one director to be included in the slate of directors that is presented to shareholders for approval at the Meeting. Mr. Henry J. Gnacke will be the General Motors nominee. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed. The management representatives designated in the enclosed form of proxy intend to vote for the election as directors of the proposed nominees whose names are set forth below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason before the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

Douglas S. Alexander, Chairman

Douglas S. Alexander joined our Board of Directors in May 2006 and has served as Chairman of our Board of Directors since May 2009. Mr. Alexander is a Director and member of the Audit Committee of Critical Outcome Technologies Inc., Biorem Inc. and Equitable Life Insurance Company and has served as the Chief Financial Officer of various Canadian public companies for 15 years. Mr. Alexander was formerly lead director and chair of the Audit Committee of Saxon Financial Inc. Mr. Alexander served as a director of Stuart Energy from 2003 to January 2005. From 1999 to 2004, Mr. Alexander was Executive Vice President and Chief Financial Officer of Trojan Technologies Inc., an international environmental high technology company. Mr. Alexander is a Chartered Accountant and is a member of the Institute of Chartered Accountants in Scotland and Ontario. He is also a Chartered Director, having graduated from the Director's College, a joint venture between McMaster University and the Conference Board of Canada. Mr. Alexander resides in Ontario, Canada.

Board/Committee Membership	Overall Attendance 100%		Securities Held					Total Value of Securities
			Shares	DSUs	RSUs	Stock Options	Total Securities	
Board of Directors, Chairman	16 of 16	100%	998	26,039	Nil	Nil	27,037	138,889
Human Resources and Corporate Governance Committee	3 of 3	100%						
Audit Committee	4 of 4	100%						

Michael Cardiff

Michael Cardiff joined our Board of Directors in November 2007. Currently, Mr. Cardiff is the Chief Executive Officer of Accelerents, a consulting firm focused on strategy development. Prior to holding that position, Mr. Cardiff held numerous senior positions in a number of technology companies including large multinationals such as EDS and IBM as well as startup companies such as Fincentric, Convergent Technologies, Tandem, and Stratus Computer. Mr. Cardiff is currently a director of Descartes Systems Group and Medic Alert. Mr. Cardiff has also served as a director of Burntsand Inc., Husky Injection Molding Systems, Solcorp, Visible Genetics, Spectra Security Software Visible Decisions and the Toronto Film Festival, Roy Thomson Hall. Mr. Cardiff has received many awards including "A Canadian Export Life Time Achievement Award." In 1998, Mr. Cardiff was named one of Canada's "Top 40 Under 40," recognizing him as one of the nation's most successful young leaders. Mr. Cardiff is a member of, and holds the ICD.d designation from the Institute of Corporate Directors. Mr. Cardiff resides in Ontario, Canada.

Board/Committee Membership	Overall Attendance 100%		Securities Held					Total Value of Securities
			Shares	DSUs	RSUs	Stock Options	Total Securities	
Board of Directors	16 of 16	100%	Nil	12,362	Nil	Nil	12,362	46,358
Human Resources and Corporate Governance Committee, Chair	3 of 3	100%						
Audit Committee	4 of 4	100%						

Joseph Cargnelli

Joseph Cargnelli is one of our founders and served as a director from January 1996 to January 2005, when he resigned in connection with the closing of the Stuart Energy acquisition. Mr. Cargnelli was re-elected at the meeting of shareholders on May 17, 2005. Mr. Cargnelli served as our Treasurer from January 1996 until July 2000. Mr. Cargnelli was appointed as our Vice President, Technology in July 2000. His title was changed to Chief Technology Officer in April 2003. Mr. Cargnelli earned both a Masters of Applied Science degree in Mechanical Engineering and a Bachelor of Applied Science degree in Mechanical Engineering from the University of Toronto. From April 1992 to April 1993, Mr. Cargnelli served as a Research Engineer with the Laboratory of Advanced Concepts in Energy Conversion Inc., a laboratory engaged in the research, development and demonstration of alkaline fuel cells and hydrogen storage methods. Mr. Cargnelli is a member of the Professional Engineers of Ontario. Mr. Cargnelli resides in Ontario, Canada.

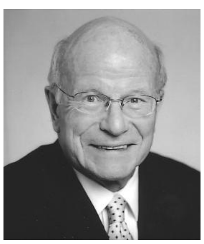
Board/Committee Membership	Overall Attendance 75%		Securities Held					Total Value of Securities
			Shares	DSUs	RSUs	Stock Options	Total Securities	
Board of Directors	15 of 16	94%	156,100	Nil	61,577	Nil	217,677	863,435

Henry J. Gnacke

Henry J. Gnacke Mr. Gnacke joined our Board of Directors in May 2008. He is currently a Senior Director at OHorizons LLC. , a corporate advisory firm, specializing in acquisitions, manufacturing and retail. Formerly, Mr. Gnacke was the Executive Director, Global Purchasing Supply Chain at General Motors Corporation. He was responsible for Alternative Propulsion Technologies and specifically Fuel Cell propulsion and storage systems. Mr. Gnacke has over 30 years of experience and has held numerous positions at General Motors Corporation, including several international assignments in the Middle East, Asia and Europe. Mr. Gnacke is the nominee of General Motors Corporation in connection with our strategic alliance with General Motors Corporation. He is currently working toward his his C. Dir designation. Mr. Gnacke resides in Michigan, U.S.A.

Board/Committee Membership	Overall Attendance 100%		Securities Held					Total Value of Securities
			Shares	DSUs	RSUs	Stock Options	Total Securities	
Board of Directors	16 of 16	100%	Nil	7,563	Nil	Nil	7,563	28,361

Norman M. Seagram



Norman M. Seagram has served as Chairman of our Board of Directors from July 2000 to December 2006, as Lead Director from January 2007 to September of that year, and subsequently as Chairman until May 2009. Mr. Seagram was President of Sportsco International LP (SkyDome) from February 2001 to March 2003. From September 1996 to May 1997, Mr. Seagram was President and Chief Executive Officer of Molson Inc. (now Molson Coors), a company he had previously served for 24 years in a variety of senior management positions. From October 1992 to August 1996, Mr. Seagram was Chairman and Chief Executive Officer of Air Liquide Canada, Inc., a producer of industrial gases. Mr. Seagram is Chairman of the Toronto Symphony Foundation, a trustee of Trinity College School and the Toronto Symphony Foundation, and he is a director of Harbourfront Foundation. He has served on the advisory board of the Faculty of Applied Science and Engineering, University of Toronto and INSEAD, Fontainebleau, France. He is a former director of the Toronto Economic Development Corporation (TEDCO). Mr. Seagram resides in Ontario, Canada.

Board/Committee Membership	Overall Attendance 96%		Securities Held					Total Value of Securities
			Shares	DSUs	RSUs	Stock Options	Total Securities	
Board of Directors	15 of 16	94%	1,427	41,120	Nil	2,280	44,827	159,551
Human Resources and Corporate Governance Committee	3 of 3	100%						
Audit Committee, Chair	4 of 4	100%						

Daryl Wilson

Daryl Wilson was appointed President and Chief Executive Officer in December 2006. Prior to joining Hydrogenics, Mr. Wilson held senior leadership positions at Royal Group Technologies Inc., ZENON Environmental Inc., Toyota and Dofasco Inc. In 1990, Mr. Wilson earned an MBA from McMaster University in Operations Management/Management Science. Mr. Wilson is a Professional engineer and holds a Bachelor's degree in Chemical Engineering from the University of Toronto. Mr. Wilson is a Chartered Director (C.Dir), having graduated in 2009 from Director's College. Mr. Wilson resides in Ontario, Canada.

Board/Committee Membership	**Overall attendance** 100%		**Securities Held**					**Total Value of Securities**
			Shares	**DSUs**	**RSUs**	**Stock Options**	**Total Securities**	
Board of Directors	15 of 16	94%	4,000	Nil	110,840	Nil	114,840	415,650

AMENDMENT TO STOCK OPTION PLAN

The Board of Directors believes it is in our best interest to attract and retain talented employees and officers and increase their proprietary interest in our success. For this reason, we have adopted a stock option plan that has been a key element of our compensation strategy. A description of our compensation philosophy and further details about our stock option plan are included in the section "Compensation of Executive Officers and Directors."

As at March 28, 2011, 221,197 stock options remain available for grant. We are seeking to increase the aggregate number of Shares available for issuance pursuant to grants under our stock option plan by an additional 55,142 Shares. We believe it is important for us to have additional flexibility to issue options under our stock option plan, particularly in light of the goal to retain key management and employees. We believe it is important that these additional Shares be available for issuance under our stock option plan to ensure sufficient awards can continue to be made to attract, retain and motivate key management and employees. We believe these additional Shares will provide us with sufficient flexibility for the foreseeable future.

Based on the recommendation of our Human Resources and Corporate Governance Committee, the Board of Directors (including all non-management directors), has approved, subject to shareholder and regulatory approval, an amendment to increase by 55,142 the total number of Shares reserved for issuance under the stock option plan.

There are currently 348,466 Shares reserved for issuance in respect of future awards of options under the stock option plan representing 480,000 Shares reserved for issuance under the stock option plan less stock options exercised to date totalling 131,534. Shareholders are being requested to approve an increase in the number of Shares reserved for issuance under the stock option plan by 55,142. This amount, with the current reserve, is considered a sufficient number of Shares to adequately provide for all option awards for the next two to three years. The Company adheres to prudent governance standards regarding the use of stock options as an element of compensation. If the amendment to the stock option plan is approved, the maximum number of Shares reserved for issuance under the stock option plan will be 535,142, which represents 9.75% of the total number of issued and outstanding Shares as of the date of this circular.

The following table sets forth the number of Shares that may be subject to options granted under the stock option plan, after the proposed amendment, as of March 28, 2011.

	Shares Subject to Outstanding Options	Shares Available for Future Option Grants	Maximum Shares Subject to and Available for future Option Grants
Currently Approved	127,269	221,197 (1)	480,000 (2)
Proposed Increase	Nil	55,142	55,142
Total	127,269	276,339	535,142
Percentage of Outstanding Shares	2.32%	5.03 %	9.75 %

(1) On January 18, 2011, in light of the desire to make a greater amount of stock options available for non-executive officers and with regard to the limited level of stock options available for granting, the Corporation's named executive officers voluntarily surrendered all 157,596 stock options as previously held by them.

(2) Includes options exercised to date of 131,534.

The text of the resolution regarding the amendment to the stock option plan (the "Stock Option Plan Amendment Resolution"), which will be submitted to shareholders at the Meeting, is set forth in Appendix A to this proxy circular. For the reasons indicated above, our Board and management of the Company believe that approval of the Stock Option Plan Amendment Resolution is in the best interest of the Company and shareholders and accordingly, recommend that shareholders vote **FOR** the Stock Option Plan Amendment Resolution. To be effective, the Stock Option Plan Amendment Resolution must be approved by not less than a simple majority of the votes cast by holders of Shares present in person or represented by proxy and entitled to vote at the Meeting. The management representatives designated in the enclosed form of proxy intend to vote **FOR** the Stock Option Plan Amendment Resolution attached as Appendix A hereto, unless a shareholder signing a form of proxy specifies that the Shares represented by the form of proxy are to be voted against the Stock Option Plan Amendment Resolution.

Board of Directors Meetings Held and Attendance of Directors

Our Board has an Audit Committee and a Human Resources and Corporate Governance Committee. The information presented below reflects Board and committee meetings held and the attendance of directors for the year ended December 31, 2010.

Summary of Board and Committee Meetings Held

Board of Directors	16
Audit Committee	4
Human Resources and Corporate Governance Committee	3

Summary of Attendance of Directors

	Board Meetings		Audit Committee		Human Resources and Corporate Governance Committee	
Name	**(16 meetings)**		**(4 meetings)**		**(3 meetings)**	
Douglas S. Alexander (1)	16	100%	4	100%	3	100%
Michael Cardiff (2)	16	100%	4	100%	3	100%
Joseph Cargnelli	15	94%	--	--	--	--
Henry J. Gnacke	16	100%	--	--	--	--
Norman M. Seagram (3)	15	94%	4	100%	3	100%
Daryl Wilson	15	94%	--	--	--	--

Notes:

(1) Member of each of the Audit Committee and the Human Resources and Corporate Governance Committee.

(2) Chair of the Human Resources and Corporate Governance Committee and member of the Audit Committee.

(3) Chair of the Audit Committee and member of the Human Resources and Corporate Governance Committee.

Statement of Corporate Governance Practices

Board of Directors

Our Board of Directors has plenary power from shareholders to manage, or supervise the management of, the business and affairs of the Company. Our Board shares the belief that its role is to act in the best interests of the Company. The focus of the Board is to provide objective, prudent guidance to our management. Through management, the Board ensures appropriate processes are in place and are operating effectively and being monitored. The Board's responsibility to shareholders is demonstrated by its commitment to effective corporate governance and disclosure.

Our Board of Directors understands strong governance frameworks are critical not only to ensure organizational compliance and effectiveness, but increasingly to meet capital market expectations. The Board, through the Human Resources and Corporate Governance Committee, continues to monitor governance reforms and implement changes to our governance practices as necessary to comply with the Sarbanes-Oxley Act of 2002, any new rules issued by the United States Securities and Exchange Commission ("SEC"), the Nasdaq Global Market ("Nasdaq"), the Canadian Securities Administrators (the "CSA"), the Toronto Stock Exchange ("TSX"), other applicable regulatory authorities, and industry best practice.

Four of the Company's directors are "independent." The Board's determination as to each director's independence is made with reference to definitions under applicable securities laws and stock exchange regulations. The Board considers Douglas S. Alexander, Michael Cardiff, Henry J. Gnacke and Norman M. Seagram to be independent directors. The Board of Directors does not consider Joseph Cargnelli and Daryl Wilson to be independent directors. The Board considers Daryl Wilson to be related by virtue of his being President and Chief Executive Officer of the Company and Joseph Cargnelli to be related by virtue of his being Chief Technology Officer of the Company. See background information regarding each of our directors under the heading "Business of the Meeting – Election of Directors" for information regarding the boards of other issuers on which they presently act as directors and "Board of Directors Meetings Held and Attendance of Directors" for the attendance record of each director for all Board and committee meetings held since the beginning of the most recently completed financial year.

Pursuant to the subscription agreement we entered into with CommScope on August 12, 2010, for so long as CommScope beneficially owns at least 20% of the outstanding Shares, CommScope is entitled to appoint one non-voting observer to the Board of Directors. Jim Bowen is the observer appointed by CommScope.

In order to facilitate open and candid discussions among independent directors, independent directors may meet, at their entire discretion, at the end of each regularly scheduled Board meeting, in an in camera session without the non-independent members. In addition, from time to time, the independent directors will have a special meeting with only independent directors. During the year, the Board held 16 meetings, five of which were regularly scheduled and 11 of which were special meetings. During the regularly scheduled meetings, five in camera sessions were held.

In addition, we believe the fact that our Audit Committee and Human Resources and Corporate Governance Committee are both composed entirely of independent directors facilitates the Board's exercise of independent judgment.

Board Mandate

The Board of Directors has adopted a written mandate for the Board (the "Mandate of the Board of Directors") to confirm and enhance the Board of Directors' ongoing duty and responsibility for stewardship of the Company. The Mandate of the Board of Directors is set forth in Appendix B. The Board of Directors is ultimately responsible for supervising the management of the business and affairs of the Company and, in doing so, is required to act in the best interests of the Company. The Board of Directors generally discharges its responsibilities either directly or through the Audit Committee and the Human Resources and Corporate Governance Committee. Specific responsibilities of the Board of Directors set out in the Mandate of the Board of Directors include:

- *Appointing Management* – including approval of the Chief Executive Officer and the Chief Financial Officer, the compensation of the Chief Executive Officer and the oversight of succession planning programs;
- *Strategic Planning* – including the review and approval of the Company's business, financial and strategic plans on at least an annual basis;
- *Monitoring of Financial Performance* – including the review of the Company's ongoing financial performance and results of operations and review and approval of the Company's audited and interim consolidated financial statements and management's discussion and analysis of financial conditions and results of operations ("MD&A");
- *Risk Management* – including the identification of the Company's principal business risks and the implementation of appropriate systems to effectively monitor and manage such risks;

- *Establishing Policies and Procedures* – including the approval and monitoring of all policies and procedures including those related to corporate governance, ethics and confidentiality;

- *Communication and Reporting* – including the oversight of the timely and accurate disclosure of financial reports and other material corporate developments; and

- *Other Responsibilities* – including those related to position descriptions, orientation and continuing education, nomination of directors and Board evaluations and matters in respect of any disposition, material commitment or venture, or significant expenditure in either monetary or business terms.

Position Descriptions

The Board has approved written position descriptions for the Chief Executive Officer, the Chair of the Board and the Chairs of each of the Board's committees. The Human Resources and Corporate Governance Committee is responsible for reviewing and making recommendations to the Board regarding position descriptions for each of the Chairman, committee chairs and the Chief Executive Officer.

The Chairman of the Board of Directors is responsible for the functioning of the Board including, among other things, determining the agenda for each meeting of the Board of Directors, ensuring directors are kept informed of appropriate corporate matters, chairing the meetings and acting as a key liaison between the Board and senior management.

Chairs of Board committees are responsible for, among other things, scheduling, setting agendas for and presiding over committee meetings and acting as liaison between the committee and the Board.

The Chief Executive Officer is responsible for, among other things, overseeing the day-to-day business affairs of the Company, recommending to the Board the strategic plan and annual business plan and budgets and supervising senior management.

Orientation and Continuing Education

Pursuant to the Mandate of the Board of Directors, it is the responsibility of the Board to provide an orientation program for new directors and ongoing educational opportunities for all directors. The Board of Directors, upon the recommendation of the Human Resources and Corporate Governance Committee, adopted a written policy on director orientation and continuing education (the "Board Education Policy"). Under the Board Education Policy, newly appointed directors attend an orientation session designed to familiarize them with the Company's business and operations (including the Company's reporting structure, strategic plans, significant financial, accounting and risk issues, and compliance programs and policies), management and external auditors. New directors also have an opportunity to meet with management and other members of the Board of Directors to familiarize themselves with the business of the Company and their responsibilities as members of the Board of Directors. New directors are also provided with a manual containing, among other things, a record of historical public information as well as copies of the Mandate of the Board of Directors and the committees' charters and corporate policies. Under the Board Education Policy, the Board will from time to time arrange for presentations by key personnel or qualified outside consultants concerning topics relating to the Company's business, changes to the Company's legal and regulatory framework and corporate and board governance. The Board also encourages directors to attend external continuing education programs designed for directors of public companies and offers some financial support in this regard. Three of the directors have completed formal director education programs.

Ethical Business Conduct

The Company has adopted a written Code of Business Conduct and Ethics (the "Code") which governs the behaviour of our directors, officers and employees. The Code also includes provisions required by SOX that are applicable to our Chief Executive Officer, Chief Financial Officer and other senior financial officers. The Board, through the Human Resources and Corporate Governance Committee, oversees compliance with the Code. Any deviations from or amendments to the Code will be publicly disclosed. The Code is accessible on our investor relations web page at www.hydrogenics.com.

Nomination of Directors and Compensation

The Board has a Human Resources and Corporate Governance Committee composed entirely of independent directors. See the Human Resources and Corporate Governance Committee charter at Appendix C for a description of the responsibilities, powers and operation of the Human Resources and Corporate Governance Committee.

Annually, the Human Resources and Corporate Governance Committee assesses the size of the Board of Directors, the competencies, skills and personal qualities required of the Board of Directors in order to add value to the Company, and the competencies, skills and personal qualities of existing directors. Based on this assessment, the Human Resources and Corporate Governance Committee will consider whether to recommend any changes to the composition of the Board of Directors, including proposing nominations to the Board for approval. When required, the Human Resources and Corporate Governance Committee will evaluate potential candidates for serving as a director having regard to the background, employment and qualifications of possible candidates and will consider whether the candidate's competencies, skills and personal qualities are aligned with the Company's needs.

In fulfilling its charter, the committee's role also includes reviewing and reporting to the Board on: human resource planning; including the terms of the compensation packages provided to the Company's employees; succession planning and senior management appointments; the levels and form of executive compensation in general; and the specific compensation of senior executives, including the annual compensation of the President and Chief Executive Officer. The committee also administers the Company's stock option plan, deferred share unit plan ("DSU Plan") and restricted share unit plan ("RSU Plan") and reviews and makes recommendations to the Board regarding the annual compensation of non-employee directors.

Report of the Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee ensures the Company develops and implements an effective and efficient approach to corporate governance and has a plan for the continuity of its officers and an executive compensation plan that is motivational and competitive, which will attract, retain and inspire executive management and other key personnel.

The committee ensures the Company's business and affairs are carried out in a transparent manner that will enhance shareholder value. The committee assesses the effectiveness of the Company's corporate governance processes and compensation policies and, where appropriate, makes recommendations with respect to the implementation, development and modification with respect to these processes and policies.

In 2010, the Human Resources and Corporate Governance Committee, in fulfilling its responsibilities, took the following measures:

- reviewed and approved, on an aggregate basis, the total compensation of all employees of the Corporation and all subsidiaries of the Corporation;
- reviewed and approved corporate goals and objectives relevant to Chief Executive Officer compensation, evaluated the Chief Executive Officer's performance in light of those goals and objectives, and set the Chief Executive Officer's compensation level based on this evaluation;
- reviewed the Chief Executive Officer's evaluation of the performance of the other officers of the Corporation and such other senior management and key employees of the Corporation or any subsidiary of the Corporation as identified to the Committee by the Board (collectively, the "Designated Executives") and reviewed the Chief Executive Officer's recommendations with respect to the amount of compensation to be paid to the Designated Executives;
- reviewed and assessed the competitiveness and appropriateness of and approved the compensation package of each of the Designated Executives;
- reviewed and approved any employment contracts or arrangements with each of the Designated Executives, including any retiring allowance arrangements or any similar arrangements to take effect in the event of a termination of employment;
- reviewed and recommended to the Board compensation policies and processes and in particular, the compensation policies and processes for the Designated Executives;
- in determining the long-term incentive component of the Chief Executive Officer's compensation and each Designated Executive's compensation, considered the Corporation's performance and relative shareholder return, the value of similar incentive awards to executives at comparable companies, and the awards given to Corporation executives in past years;
- made recommendations to the Board with respect to incentive compensation and equity-based plans, and reviewed and made recommendations with respect to the performance or operating goals for participants in such plans;
- administered, approved and ratified awards under incentive compensation and stock plans, including amendments to the awards made under any such plans, and reviewed and monitored awards under such plans;
- reviewed and reported to the Board on the appropriateness of the succession planning of the Corporation, including appointing, training and monitoring senior management;
- reviewed the significant human resources policies, plans and programs of the Corporation to ensure they are supportive of the Corporation's near and long-term strategies; and

- undertook on behalf of, and in an advisory capacity to, the Board such other initiatives as were considered necessary or desirable to assist the Board in discharging its responsibility to ensure appropriate human resources development, performance evaluation, compensation and management development programs are in place and operating effectively.

The Human Resources and Corporate Governance Committee met three times in 2010. The Human Resources and Corporate Governance Committee is satisfied that it has fulfilled its charter during the year ended December 31, 2010.

(Signed) Michael Cardiff
Chair, Human Resources and Corporate Governance Committee

Other Committee Assessments

The Human Resources and Corporate Governance Committee is responsible for supervising the assessment of the effectiveness of the Board of Directors as a whole and each committee of the Board of Directors, for evaluating the performance of the Chairman of the Board, the Chair of each committee and, as necessary, the performance and contribution of individual directors. The process generally involves the Human Resources and Corporate Governance Committee assigning the task of conducting a survey of directors (with respect to their views on the effectiveness of the Board of Directors, Chairman of the Board, each committee of the Board and its Chair and individual directors). The form of the survey is approved by the Human Resources and Corporate Governance Committee. The results of the survey are communicated in writing to the Chairman of the Board and the Chairman then reports the overall results and the Chairman's recommendations to the Board. The Chairman also meets in person or by telephone, as necessary, with each Board member to confidentially discuss his peer evaluation. The Chairman also meets with the Chair of the Human Resources and Corporate Governance Committee to review the results of the survey prior to the Human Resources and Corporate Governance Committee meeting to finalize its recommendations for Board and committee nominations. The Chair of the Human Resources and Corporate Governance Committee meets with the Chairman of the Board to discuss the Chairman's performance assessment.

Expectations of Management

The Board expects management to manage the business effectively in accordance with the strategic plan and policy directions approved by the Board. Management is expected to fully inform the Board of its performance in relation to these plans and of any events that may affect these plans, and propose remedial or alternative actions to the Board.

Communications Policy

In response to the Regulation on Fair Disclosure promulgated by the SEC, as well as other related regulatory initiatives, we have adopted a Communications and Disclosure Policy (the "Policy"), which reflects our commitment to providing timely and accurate corporate information to investors, including shareholders, and to the general public. The Policy requires prompt general disclosure of any material information and sets out the procedures to be followed in communicating with investors, analysts and the media, including analyst conferences via webcast over the Internet. The Policy is accessible on our investor relations web page at www.hydrogenics.com. Inquiries from shareholders are responded to by our President and Chief Executive Officer, Chief Financial Officer or other appropriate officers of the Company. We maintain regular communication with the financial and investment community through industry analyst briefings by our Chief Executive Officer and Chief Financial Officer on at least a quarterly basis. Our quarterly earnings conference calls are webcast over the Internet and are accessible for a limited period of time on our investor relations web page at www.hydrogenics.com.

Disclosure Committee

The Disclosure Committee was formed in November 2002. The committee's membership includes the President and Chief Executive Officer, Chief Financial Officer and other members of senior management. The primary purpose of the committee is to establish, maintain, review and evaluate our disclosure controls and procedures, consider the materiality of information and ensure compliance with disclosure obligations on a timely basis. The committee also supports the executive officers certifying under SOX and facilitates the procedures whereby all material information that could be required to be disclosed is accumulated, verified and communicated to the committee, senior management and our Board in a timely manner.

Director Share Ownership Guidelines

We have established director share ownership guidelines that require each of our directors to hold Shares or DSUs equal to three times the director's annual cash retainer within three years of his initial appointment. The value of the directors' Shares or DSUs are measured at either the year-end Share price, or a director's acquisition cost of Shares and initial grant price of DSUs.

Whistleblower Procedures

We have implemented specific whistleblower procedures to facilitate the confidential, anonymous reporting by employees of any concerns or complaints regarding accounting, internal controls and auditing matters. A copy of these procedures is posted on our investor relations web page at www.hydrogenics.com.

Audit Committee Report

Our Board of Directors has delegated to the Audit Committee responsibility for assisting the Board in its oversight role with respect to the quality and integrity of financial information and reporting disclosure, risk management, the performance, qualifications and independence of the external auditors and legal and regulatory compliance. The Audit Committee regularly meets in camera to review management's financial stewardship. The Audit Committee consists entirely of unrelated and independent and financially literate directors.

During the past year, the Audit Committee, in fulfilling its responsibilities, took the following measures:

- reviewed and discussed with management and the registered public accountants the Corporation's annual audited consolidated financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations and recommend to the Board whether the audited consolidated financial statements should be included in the Corporation's annual report;
- reviewed and discussed with management and the registered public accountants the Corporation's quarterly consolidated financial statements, including disclosures made under Management's Discussion and Analysis of Financial Condition and Results of Operations or similar disclosures, prior to the filing of its quarterly report;
- reviewed and discussed with management and the registered public accountants the financial information and consolidated financial statements contained in any prospectus, registration statement, annual information form, circular or other material disclosure document of the Corporation, in each case prior to the filing of such documents;
- reviewed and discussed with management and the registered public accountants, as applicable: (i) major issues regarding accounting principles and consolidated financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management or the registered public accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the consolidated financial statements, including analyses of the effects of alternative Canadian GAAP methods on the consolidated financial statements; (iii) any management letter provided by the registered public accountants and the Corporation's response to that letter; (iv) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the registered public accountants' activities or on access to requested information and management's response thereto; (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the consolidated financial statements of the Corporation; and (vi) earnings press releases, as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies;
- discussed with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies;
- obtained and reviewed a report from the registered public accountants regarding: (i) the registered public accountants' internal quality control procedures; (ii) any material issues raised by the most recent quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; (iii) any steps taken to deal with any such issues; and (iv) all relationships between the registered public accountants and the Corporation;
- evaluated the qualifications, performance and independence of the registered public accountants, including a review and evaluation of the lead partner of the registered public accountants and taking into account the opinions of management;
- ensured that the lead audit partner of the registered public accountants and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002;
- discussed with management and the registered public accountants any accounting adjustments that were noted or proposed by the registered public accountants but were passed (as immaterial or otherwise);
- established procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees

of the Corporation of concerns regarding questionable accounting or auditing matters;

- reviewed disclosures made by the Corporation's principal executive officer or officers and principal financial officer or officers regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Corporation's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof;
- reviewed with management and approved the Corporation's investment policies for its securities portfolio and reviewed the portfolio management performance; and
- reviewed the performances of the Chief Financial Officer and other senior executives involved in the financial reporting process, reviewed financial and accounting personnel succession planning within the Corporation and, where possible, consulted on the appointment of, or departure of, individuals occupying these positions.

The Audit Committee met four times in 2010. The Audit Committee is satisfied that it has fulfilled its charter during the year ended December 31, 2010.

Additional information concerning the Audit Committee, including the relevant education and experience of its members is disclosed in the Company's 20-F dated March 28, 2011 under the heading "Directors, Senior Management and Employees – Audit Committee," which has been filed in Canada as our AIF.

(signed) Norman M. Seagram

Chair, Audit Committee

Compensation of Executive Officers and Directors

As the Company reports its financial results in U.S. dollars, the following discussion is prepared showing U.S. dollars, except as otherwise noted, notwithstanding that the currencies in which the Named Executive Officers (as defined below) are paid in Canadian dollars and euro. The average exchange rates for the year ended December 31, 2010, for the purposes of the following disclosure, are US$1 = CA $1.04, and US$1 = 0.75 euro.

The following compensation discussion and analysis is intended to supplement the more detailed information concerning compensation of executive officers and directors that appears in the tables that follow. Our goal is to provide a better understanding of our compensation practices and decisions made concerning the compensation payable to our executive officers and directors for 2010.

Compensation Discussion and Analysis

The Human Resources and Corporate Governance Committee administers the Company's executive compensation program for executive officers, including with respect to our President and Chief Executive Officer, our Chief Financial Officer and our three most highly compensated executives, other than the President and Chief Executive Officer and Chief Financial Officer (collectively, the "Named Executive Officers"), as listed below:

- Daryl Wilson — President and Chief Executive Officer;
- Lawrence Davis — Chief Financial Officer and Corporate Secretary;
- Joseph Cargnelli — Chief Technology Officer;
- Wido Westbroek — Vice President and General Manager; and
- Jennifer Barber — Vice President, Finance and Corporate Controller.

Objectives of Executive Compensation Program

The committee has primary responsibility for determining executive remuneration and for the design and review of the Company's compensation plans. In fulfilling this role, the committee seeks to:

- provide total compensation that is closely linked to the Company's performance and to individual performance;
- align the interests of the Company's executive officers with those of its shareholders through potential stock ownership; and
- ensure compensation and benefits are at levels such that the Company is able to attract and retain the caliber of executives and officers it needs to achieve its desired growth and performance targets.

Elements of Executive Compensation Program

Our executive compensation program has three principal components:

- base salary;
- short-term incentive (paid in cash); and

- long-term, equity based incentives.

We believe this variable compensation encourages high performance, promotes accountability and ensures that the interests of our executive officers are aligned with the interests of shareholders by linking individual performance and increases in shareholder value. Each of the components' specified objectives are set forth below.

The Company also offers all employees and Named Executive Officers certain benefits, such as short-term disability income benefits, long-term disability income benefits, healthcare, dental care, survivor benefits, dependent coverage, employee life insurance, dependent life insurance, accidental death, dismemberment and specific loss insurance, which form an integral part of the total compensation offered by the Company.

Base Salary

The objectives of base salary are to recognize market pay, acknowledge competencies and skills of individuals and reward individual contribution. The annual base salary for each of our Named Executive Officers was initially determined at the time of hire based on a number of customary factors, and is documented in an employment agreement provided to the executive officer (see also "Summary Compensation Table — Employment Agreements").

Short-term Incentives

We provide a short-term incentive plan in which the Named Executive Officers, as well as other managers and employees, participate. This incentive plan is intended to reward achievement of short-term financial performance and milestones and focus on key financial, strategic and other business objectives. Pursuant to the short-term incentive plan, we have established layers of performance incentives up to certain percentages of base salary based on market benchmarking. In landmark years, the committee may elect to award a "stretch maximum" of 100% of base salary. The percentage that an executive is awarded is based on the achievement of corporate objectives, the achievement of business unit objectives and the achievement of individual objectives. Certain Named Executive Officers have employment agreements with us that modify our short-term incentive compensation (see "Summary Compensation Table — Employment Agreements).

For 2010, the target bonuses were equal to 40% of the base salary for the Vice President and General Manager and Vice President, Finance and Corporate Controller, and 50% for each of President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and Chief Technology Officer.

Long-term Incentives

Long-term compensation is designed to focus executives' attention on the long-term interests of the Company and its shareholders, and consists of two elements for our executive officers:

- Stock Option Plan — pursuant to which we grant options to certain employees and officers to purchase Shares at a fixed price; and

- Restricted Share Units Plan — pursuant to which we grant certain executive officers RSUs, representing the cash equivalent of Shares, subject to the vesting, forfeiture and other restrictions the Board of Directors may determine.

Together, we believe these stock options and RSUs link the executives' long-term compensation directly to the appreciation in the price of our Shares and align the interests of executives with the interests of shareholders.

Stock Options

Our stock option plan allows the Human Resources and Corporate Governance Committee to grant directors, officers, eligible employees and consultants of the Company options to acquire Shares. The purposes of the stock option plan are to attract, retain and motivate key members of our team, to align incentives with the results realized by shareholders, and to provide competitive compensation arrangements that reward the creation of shareholder value over the long-term.

The stock option plan provides that options will expire no later than ten years from the grant date or, if that date occurs during a blackout period or other period during which an insider is prohibited from trading in our securities by our insider trading policy, ten business days after the period ends, subject to certain exceptions. Options will have an exercise price per share of not less than the closing price of the Shares on the TSX on the trading day before the option is granted. Unless otherwise specified in a particular option agreement, options granted under this plan will vest over three years with one-third of the option grant vesting each year.

Issuances of options under the stock option plan are subject to several restrictions. No more than 10% of the Shares outstanding may be issued under the stock option plan and all other security based compensation arrangements in any one-year period. In addition, the number of Shares reserved for issuance pursuant to options granted to any one person under the stock option plan and all other security based compensation arrangements cannot exceed 5% of the outstanding Shares.

The aggregate number of Shares reserved for issuance pursuant to options granted to insiders under the stock option plan and all other compensation arrangements cannot exceed 10% of the outstanding Shares at any time. Further, within any one-year period, insiders may not, in the aggregate, be issued under the stock option plan and all other security based compensation arrangements a number of Shares that exceeds 10% of the outstanding issue and no individual insider may be issued a number of Shares that exceeds 5% of the outstanding issue.

Shareholder approval is required for the following amendments to the stock option plan: (i) increasing the number of Shares reserved for issuance under the stock option plan; (ii) reducing the exercise price of an option, except appropriate reductions in connection with a subdivision or consolidation of Shares or payment of a stock dividend or an amalgamation, combination or other reorganization involving the Company; (iii) extending the term of an option beyond the expiry date or beyond ten years from its grant date (except the automatic extension where the expiry date would have occurred within a blackout period of the Company); (iv) extending the participation of non-employee directors and non-consultants in the stock option plan; (v) permitting options to be transferred other than by testate or intestate succession; (vi) permitting the addition or modification of a cashless exercise feature, payable in cash or Shares, unless it provides for a full deduction of the number of underlying Shares from the stock option plan reserve; (vii) permitting awards, other than options, to be made under the stock option plan; or (viii) pursuant to the Company's by-laws or the rules or policies of any exchange, that require shareholder approval.

Currently there are 480,000 Shares reserved for issuance under the stock option plan representing approximately 8.8% of the total number of issued and outstanding Shares.

As at December 31, 2010, the Company had 286,545 stock options outstanding, which were reduced to 127,269 as at March 28, 2011. As of March 28, 2011, 221,197 stock options remain available for grant, representing approximately 4.0% of the total number of issued and outstanding Shares. Since the stock option plan was adopted, options exercised resulted in the issuance of 131,534 Shares as of March 28, 2011.

If an option holder's employment or term as a director or consultant ceases as a result of the option holder's death, retirement or disability or because of the sale of the Company that employs the option holder, or to which the option holder is a director or consultant, all options vest immediately and may be exercised for 180 days (or, if earlier, to the end of the term). If an option holder's employment or term as a director or consultant is terminated without cause the option holder's options that are vested or that would otherwise have vested within the reasonable or contractual notice period may be exercised for 90 days (or, if earlier, to the end of the term). If an option holder's employment or term as a director or consultant is terminated by voluntary resignation, vested options may be exercised for 90 days (or, if earlier, to the end of the term) and unvested options are cancelled. If an option holder's employment or term as a director or consultant is terminated for cause, all options are immediately cancelled. Notwithstanding the foregoing, but subject to applicable securities laws, the Board of Directors may, at its discretion, permit the exercise of any or all options held by an option holder in the manner and on the terms authorized by the Board, provided the Board may not authorize the exercise of an option beyond ten years from the date of grant, excluding any automatic extension for an expiry date that falls in a blackout period.

Options are non-transferable. The Board of Directors has the discretion to accelerate vesting and expiration of options in connection with a change of control of the Company, a sale of all or substantially all of the assets of the Company or a dissolution or liquidation of the Company. The Board of Directors may further take such steps it deems equitable and appropriate to adjust the number of Shares that may be acquired on the exercise of any options or the exercise price in the event the Company effects a subdivision or consolidation of the Shares, payment of a stock dividend (other than in lieu of a cash dividend), or other change in capitalization of the Company, or upon any amalgamation, continuation, reorganization involving the Company, by exchange of Shares, by sale or lease of assets or otherwise, to preserve the proportionality of the rights and obligations of the option holders.

Restricted Share Units

The RSU Plan is designed to retain certain employees of the Company and its affiliates and to allow them to participate in the long-term success of the company. The RSU Plan complements the stock option plan and allows the Company to offer, through combinations of these equity-based incentive programs, optimal alignment of the interests of management and certain employees of the Company and its affiliates with that of its shareholders.

The RSU Plan provides for grants of RSUs to certain employees (each a ''participant'') of the Company and its affiliates. In determining the number of RSUs to be granted, the Human Resources and Corporate Governance Committee may take into account such milestones and criteria as it may determine at the time of grant. An RSU is a right to receive a cash payment based on the value of a Share, subject to the vesting, forfeiture and other restrictions the Board of Directors may determine. RSUs are credited to an account in the name of the participant. If a dividend is paid on Shares, each participant's RSU account is credited with additional RSUs (a ''dividend RSU'') equal to a fraction where the numerator is the product of: (i) the number of RSUs credited to the participant on the date the dividends are paid; and (ii) the dividend paid per Share, and the denominator is the closing price per Share on the TSX on the last trading day on which the Shares were traded preceding the date on which dividends are paid.

Each RSU vests no later than December 31 of the third calendar year following the calendar year in respect of which the RSU is granted or such earlier date as is determined at our Board's discretion. RSUs are redeemed within 30 days following the vesting date (and no later than the December 31 date referenced above), by a cash payment to the participant equal to the number of vested RSUs multiplied by the closing price per Share on the TSX on the last trading day on which the Shares were traded preceding the vesting date. A dividend RSU vests on the same day as the RSU in respect of which it was granted and is redeemed by the company on the Company the same date as the applicable RSU.

If a participant dies, retires or his or her employment is terminated by the Company without cause, or for disability or because of the sale of the Company that employs the participant, or to which the participant is a director or consultant, then a pro rata portion of unvested RSUs credited to the participant will vest and be redeemed. If the employment of a participant is terminated by resignation of the participant the participant forfeits all rights to unvested RSUs. If the employment of a participant is terminated for cause, that participant forfeits all rights to vested and unvested RSUs. The Board of Directors may accelerate the vesting of RSUs in connection with a change of control.

RSUs are non-assignable. The Board of Directors determines which employees will be granted RSUs; the time or times when RSUs will be granted; the number of RSUs to be granted; and the date or dates on which RSUs will vest. The Human Resources and Corporate Governance Committee administers the RSU Plan.

The Board may from time to time amend or suspend the RSU Plan in whole or in part and may at any time terminate the RSU Plan without prior notice. However, except as expressly set forth in the RSU Plan, no such amendment, suspension, or termination may adversely affect the RSUs previously granted to a participant without the consent of the affected participant.

Determination of Compensation

In reviewing and recommending executive compensation in 2010, the Human Resources and Corporate Governance Committee examined the base salary, short-term incentive bonus and long-term incentive components individually and as part of a total compensation package.

Independent Consultant

On a periodic basis the Human Resources and Corporate Governance Committee engages an independent consultant to provide specific support to the committee in determining compensation for the Company's officers and directors. The Human Resources and Corporate Governance Committee determined that such support was not needed in 2010 due to the ability to rely on the work carried out by management supplemented by additional work carried out by the Human Resources and Corporate Governance Committee. The Human Resources and Corporate Governance Committee does, however, anticipate retaining the services of an independent consultant in 2011. Decisions made by the Human Resources and Corporate Governance Committee are the responsibility of the committee and may reflect factors and considerations other than the information and recommendations provided by the independent consultant.

Comparator Group

The Company's reference market for the purpose of benchmarking executive compensation includes publicly listed hydrogen and fuel cell systems developers and also alternative energy and technology companies of comparable size, complexity and market capitalization. The following companies are considered comparative companies: Active Power, Inc., Ballard Power Systems Inc., Beacon Power Corporation, Capstone Turbine Corporation, FuelCell Energy, Inc., Maxwell Technologies Inc., Ocean Power Technologies, Inc., Plug Power Inc. and Satcon Technology Corporation (collectively, the "comparator group").

Determination of Amounts for each Element of Compensation

The Human Resources and Corporate Governance Committee uses as a guideline that each officer's compensation package be in the 50th percentile of each component (base salary, short-term incentives, long-term incentives and benefits) as well as total compensation, with reference to similar positions at the comparator group.

The mix of compensation components varies by executive level, reflecting the impact executives have on Company performance. In determining the mix, adjustments are made to reflect market trends, individual performance, the executive's role in the organization, and level of experience. This approach allows us to differentiate salaries that reflect a range of experience and performance levels among executives and determines how the Committee sets the salaries of the President and Chief Executive Officer and other senior executives.

With respect to the compensation levels of executive officers, other than the President and Chief Executive Officer, recommendations were submitted by the President and Chief Executive Officer for review, discussion and amendment by the Human Resources and Corporate Governance Committee. Compensation for the President and Chief Executive Officer was determined solely by the Human Resources and Corporate Governance Committee.

In all cases, compensation was determined with reference to the financial and strategic imperatives of the Company, the responsibilities of the position, the performance of the incumbent, the competitive marketplace for qualified executive talent and the compensation practices of the comparator group. External competitiveness was measured against other comparable Canadian and U.S. organizations to ensure overall compensation was appropriate in terms of the responsibilities of executive positions in a public company.

For the President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary, short-term incentive awards are determined either, entirely or substantially on corporate performance. For those executives who have specific responsibility for a particular business unit, short-term incentives are based on both that business unit's performance and overall corporate performance. For those executives in a corporate role short-term incentives are determined with reference to both overall corporate performance and achievement of individual objectives.

The corporate performance objectives for fiscal 2010 included financial targets for revenue growth, sustainability, product cost reductions, practical quality improvement and organizational effectiveness and development. Each objective is assigned a weighting. These objectives are set forth in the following table, together with highlights of our results.

2010 Performance Objectives	2010 Results
Annual Revenue Target • $35.0 million in 2010.	*Did not meet objective.*
Sustainability • End the year with a least one full year of cash requirement and achieve EBITDA loss target of $8.2 million in 2010.	*Partially met objectives.*
Product Cost Reductions • Reduce costs in four key products.	*Met objectives.*
Order Progress and Market Traction • Secure commercial orders in DC Back-up Power and Renewable Energy Projects, Quote Multiple Large Scale Energy Projects and recover OnSite Generation Industrial Backlog.	*Partially met objectives.*
Organizational Effectiveness and Development • Safety - no critical or fatal injuries; lost time and medical aid frequency < 2.	*Met objectives.*

The following table summarizes the compensation mix for each of the Named Executive Officers, and the percentage of variable compensation at risk.

Executive Level	Base Salary	Performance Based Incentives: Short-term Incentive	Performance Based Incentives: Long-term Incentive	Variable Compensation
President and Chief Executive Officer	40%	20%	40%	60%
Chief Financial Officer and Corporate Secretary	40%	20%	40%	60%
Chief Technology Officer	40%	20%	40%	60%
Vice President and General Manager	59%	23%	18%	41%
Vice President, Finance and Corporate Controller	59%	23%	18%	41%

President and Chief Executive Officer Compensation

The Human Resources and Corporate Governance Committee evaluated Mr. Wilson's 2010 performance against the corporate performance objectives set for the year, as described above. Additionally, the Human Resources and Corporate Governance Committee considered Mr. Wilson's leadership with respect to the strategic and operational priorities established by the Board of Directors, plus the Company's performance during challenging market and economic conditions. Mr. Wilson's total compensation package consists of base salary, short-term incentive bonus and long-term incentive components and is benchmarked to be in the 50th percentile of each component (base salary, short-term incentives, long-term incentives and benefits).

Mr. Wilson's short-term incentive awards are determined entirely on corporate performance and represent 20% of his total eligible compensation. The corporate performance objectives for fiscal 2010 included financial targets for revenue growth, sustainability, product cost reductions, practical quality improvement and organizational effectiveness and development. As a result of having made significant accomplishments in 2010 including securing $5.0 million from two institutional investors, securing an $8.5 million investment from CommScope, reducing the Company's loss from operations by $10.8 million or 55%, increasing revenues by 11% and advancing market and product development efforts, a short-term incentive award of $63,283 representing one-third of Mr. Wilson's target short-term incentive eligibility was made for 2010.

Mr. Wilson's long-term incentive awards are designed to direct his attention to the long-term interest of the Company and its shareholders, and consists of awards under each of our Stock Option and RSU Plan. For 2010, 40% of Mr. Wilson's total eligible compensation was in the form of long-term incentive awards.

Composition of Human Resources and Corporate Governance Committee

The following individuals served as members of the Human Resources and Corporate Governance Committee as at

December 31, 2010: Michael Cardiff, Chair, Douglas S. Alexander and Norman M. Seagram.

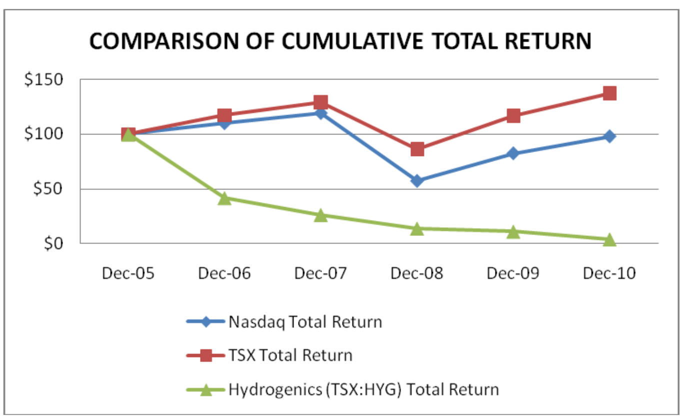
Each member of the Human Resources and Corporate Governance Committee is independent under tests established by legal and stock exchange requirements to which the Company is subject. None of the members of the Human Resources and Corporate Governance Committee is an officer, employee or former officer or employee of the Company or any of its affiliates.

The Human Resources and Corporate Governance Committee has reviewed and discussed with management the foregoing compensation discussion and analysis. Based on this review and discussion, the committee has recommended to the Board that the report be included in this circular.

Michael Cardiff (Chair)
Douglas S. Alexander
Norman M. Seagram

Performance Graph

The following graph compares the cumulative shareholder return on our Shares (assuming CA $100 invested) to the cumulative total return of each of the TSX Composite Index and the Nasdaq Composite Index during the period commencing on December 31, 2005 and ending on December 31, 2010. The closing price of our Shares on the TSX and Nasdaq on December 31, 2010 was CA $3.75 and $3.76, respectively.



The results shown in this graph do not reflect Hydrogenics' trend in compensation to its Named Executive Officers. The Corporation's market prices for its shares are impacted by various external factors including the overall market sentiment and confidence in the future of the alternative energy technology sector.

While the total shareholder return trend does not reflect the Named Executive Officer compensation over the five year period, the achievement of other significant Corporation and individual performance milestones such as sustainability, product cost reductions, order progress and market traction, and the need to retain executive talent in a competitive market environment accounted for the level of compensation during the period.

During the period from 2005 through 2010, the annual base salaries of the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary and each of the three highest compensated officers in each year during that period decreased by an average of 1%.

Option Based Awards and RSU Awards

The President and Chief Executive Officer is responsible for submitting annual option grant and RSU grant recommendations (other than with respect to grants to the President and Chief Executive Officer) to the Human Resources and Corporate Governance Committee. The Human Resources and Corporate Governance Committee considers these recommendations and determines the appropriate recommendations regarding annual option awards and RSU awards to be presented to our Board of Directors for approval. Our Board of Directors considers the Human Resources and Corporate Governance Committee's recommendations regarding awards and, if advisable, approves these recommendations at fixed meeting dates, which are specified in advance, and these awards are effective as of the date of approval.

Our Human Resources and Corporate Governance Committee considers any grant recommendations with respect to the President and Chief Executive Officer and submits its recommendations to our Board of Directors for approval without the input of the President and Chief Executive Officer.

All options are accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Shares, the expected lives of awards of options, the fair value of the Shares, and the risk-free interest rate.

Unless otherwise determined by the Board of Directors, with the input of the Human Resources and Corporate Governance Committee, each RSU vests on a date no later than December 31 of the third calendar year following the calendar year in respect of which the RSU is granted, as is determined at our Board's discretion. RSUs are redeemed within 30 days following the vesting date, by a cash payment to the participant equal to the number of vested RSUs multiplied by the closing price per Share on the TSX on the last trading day on which the Shares were traded preceding the vesting date. A dividend RSU vests on the same day as the RSU in respect of which it was granted and is redeemed by the Company on the same date as the applicable RSU. All RSUs are accounted for at their intrinsic value.

Summary Compensation Table

The following table provides a summary of compensation earned during the financial years ended December 31, 2010, December 31, 2009 and December 31, 2008 by the Named Executive Officers.

Name and Principal Position	Year	Salary	Share Based Awards	Option Based Awards	Non-Equity Incentive Plan Compensation[(1)]	All Other Compensation[(2)]	Total Compensation
		($)	($)	($)	($)	($)	($)
Daryl Wilson, (3) *President & Chief Executive Officer*	2010	354,906	217,766	Nil	63,283	Nil	635,955
	2009	345,159	34,668	241,930	Nil	Nil	621,757
	2008	370,336	228,788	105,117	185,168	Nil	889,409
Lawrence Davis, (3) *Chief Financial Officer and Corporate Secretary*	2010	241,262	55,131	38,706	40,052	Nil	375,151
	2009	219,298	57,934	51,821	Nil	Nil	329,053
	2008	234,390	135,769	66,523	117,195	Nil	553,877
Joseph Cargnelli, (3) *Chief Technology Officer*	2010	184,192	113,017	Nil	32,843	Nil	330,052
	2009	179,133	47,508	42,459	Nil	Nil	269,100
	2008	187,512	89,051	43,634	96,100	Nil	416,297
Wido Westbroek, (4) *Vice President and General Manager*	2010	154,152	55,001	Nil	21,926	Nil	231,079
	2009	175,694	16,892	15,121	Nil	Nil	207,707
	2008	186,044	25,287	12,391	77,817	Nil	301,539
Jennifer Barber, (3) *Vice President, Finance and Corporate Controller*	2010	139,507	42,726	Nil	19,866	Nil	202,099
	2009	135,442	12,563	11,250	Nil	Nil	159,255
	2008	145,322	22,036	10,804	46,503	Nil	224,665

Notes:

(1) This represents the Company's short-term incentive plan. The Company does not have any non-equity long-term incentive plans.

(2) Benefits did not exceed the lesser of CA $50,000 and 10% of the total annual salary and bonuses of any of the Named Executive Officers.

(3) These amounts are paid in Canadian funds and have been converted to US dollars at the average rate for the year. The Canadian dollar appreciated 8.9% relative to the US dollar in 2010 compared to 2009. The Canadian dollar depreciated 6.6% relative to the US dollar in 2009 compared to 2008.

(4) Mr. Westbroek's salary is paid in euro and have been converted to US Dollars at the average rate for the year. The US dollar appreciated 4.9% relative to the euro in 2010 compared to 2009. The US dollar appreciated 5.0% relative to the US dollar in 2009 compared to 2008.

Employment Agreements

Daryl Wilson's employment agreement provides for a base salary of CA $395,000, subject to annual review, and a discretionary short-term incentive bonus of up to 50% of his base salary.

Lawrence Davis' employment agreement provides for a base salary of CA $250,000, subject to annual review, and a discretionary short-term incentive bonus of up to 50% of his base salary.

Joseph Cargnelli's employment agreement provides for a base salary of CA $205,000, subject to annual review, and a discretionary short-term incentive bonus of up to 50% of his base salary.

Wido Westbroek's employment agreement provides for a base salary 126,500 euro, and a discretionary short-term incentive bonus of up to 40% of his base salary.

Jennifer Barber's employment agreement provides for a base salary of CA $155,000, subject to annual review, and a discretionary short-term incentive bonus of up to 40% of her base salary.

Incentive Plan Awards

Outstanding Share Based Awards and Option Based Awards During the Year Ended December 31, 2010

	Option-Based Awards (1)				Share-Based Awards	
Name	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-money Options	Number of Shares or Units of Shares That Have Not Vested	Market or Payout Value of Share-Based Awards That Have Not Vested
	(#)	CA ($)				CA ($)
Daryl Wilson	9,000	$40.00	December 8, 2016	Nil	110,840	415,651
	8,564	$29.25	March 23, 2017	Nil		
	15,100	$14.50	March 12, 2018	Nil		
	40,000	$13.25	March 27, 2019	Nil		
Lawrence Davis	4,000	$127.50	February 8, 2015	Nil	47,356	177,586
	2,600	$112.75	May 16, 2015	Nil		
	4,214	$84.25	May 23, 2016	Nil		
	11,116	$29.25	March 23, 2017	Nil		
	9,556	$14.50	March 12, 2018	Nil		
	8,568	$13.25	March 27, 2019	Nil		
	13,332	$4.91	April 5, 2020	Nil		
Joseph Cargnelli	6,268	$14.50	March 12, 2018	Nil	61,576	230,913
	7,020	$13.25	March 27,2019	Nil		
Wido Westbroek	3,000	$54.75	July 14, 2016	Nil	26,704	100,141
	2,748	$29.25	March 23, 2017	Nil		
	1,780	$14.50	March 12, 2018	Nil		
	2,500	$13.25	March 27, 2019	Nil		
Jennifer Barber	222	$192.50	October 1, 2011	Nil	20,876	78,286
	1,000	$112.75	May 16, 2015	Nil		
	1,016	$84.25	May 23, 2016	Nil		
	2,580	$29.25	March 23, 2017	Nil		
	1,552	$14.50	March 12, 2018	Nil		
	1,860	$13.25	March 27, 2019	Nil		

Notes:

(1) On January 18, 2011, in light of the desire to make a greater amount of stock options available for non-executive officers and having regard for the limited level of stock options available for granting, the Corporation's named executive officers voluntarily surrendered all 157,596 stock options previously held by them.

Incentive Plan Awards - Value Vested or Earned During the Year Ended December 31, 2010

Name	Option Based Awards - Value Vested During the Year	Share Based Awards - Value Vested During the Year	Non-equity Incentive Plan Compensation - Value Earned During the Year
	($)	($)	($)
Daryl Wilson	Nil	Nil	63,283
Lawrence Davis	Nil	Nil	40,052
Joseph Cargnelli	Nil	Nil	32,843
Wido Westbroek	Nil	Nil	21,926
Jennifer Barber	Nil	Nil	19,866

Termination and Change of Control Benefits

Mr. Wilson’s employment agreement provides that Mr. Wilson is entitled to 18 months’ salary and bonus in lieu of notice if he is terminated without cause from his position at any time, or if he is terminated upon a change of control of the Company. This amount is equal to a maximum of approximately CA $888,750 based on Mr. Wilson’s current compensation. The agreement also provides that all outstanding stock options held by Mr. Wilson will immediately vest upon termination without cause or termination resulting from a change of control of the Company. Mr. Wilson has agreed to refrain from competing with and interfering in the business of Hydrogenics for a period of one year subsequent to his termination for any reason. Under the RSU Plan, if Mr. Wilson's employment is terminated by the Company without cause, prior to the vesting date of any awarded RSUs, then a pro rata portion of such RSUs will vest immediately prior to the date of his termination of employment. The value of such RSUs, as at December 31, 2010, is CA $135,809.

Mr. Davis’s employment agreement provides that Mr. Davis is entitled to 18 months’ salary and bonus in lieu of notice if he is terminated without cause from his position at any time, or if he is terminated upon a change of control of the Company. This amount is equal to a maximum of approximately CA $562,500 based on Mr. Davis’s current compensation. The agreement also provides that all outstanding stock options held by Mr. Davis will immediately vest upon termination without cause or termination resulting from a change of control of the Company. Mr. Davis has agreed to refrain from competing with and interfering in the business of Hydrogenics for a period of one year subsequent to his termination for any reason. Under the RSU Plan, if Mr. Davis’s employment is terminated by the Company without cause, prior to the vesting date of any awarded RSUs, then a pro rata portion of such RSUs will vest immediately prior to the date of his termination of employment. The value of such RSUs, as of December 31, 2010, is CA $76,994.

Mr. Westbroek’s employment agreement provides that Mr. Westbroek is entitled to 12 months’ salary and bonus in lieu of notice, and costs associated with relocating back to Canada, if Mr. Westbroek is terminated without cause from his position at any time, or if he is terminated upon a change of control of the Company. This amount is equal to a maximum of approximately 126,500 euro plus costs associated with relocation based on Mr. Westbroek’s current compensation. The agreement also provides that all outstanding stock options held by Mr. Westbroek will immediately vest upon termination without cause or termination resulting from a change of control of the Company. Mr. Westbroek has agreed to refrain from competing with and interfering in the business of Hydrogenics for a period of one year subsequent to his termination for any reason. Under the RSU Plan, if Mr. Westobroek's employment is terminated by the Company without cause, prior to the vesting date of any awarded RSUs, then a pro rata portion of such RSUs will vest immediately prior to the date of his termination of employment. The value of such RSUs, as of December 31, 2010, is CA $28,941.

Mr. Cargnelli’s employment agreement provides that Mr. Cargnelli is entitled to 24 months’ salary and one and a half times the average bonus paid in the two fiscal years preceding termination in lieu of notice if Mr. Cargnelli is terminated without cause from his position at any time, or if he is terminated upon a change of control of the Company. This amount is equal to a maximum of approximately CA $717,500 based on Mr. Cargnelli’s current compensation. Mr. Cargnelli has agreed to refrain from competing with and interfering in the business of Hydrogenics for a period of three years subsequent to his termination for any reason. Under the RSU Plan, if Mr. Cargnelli's employment is terminated by the Company without cause, prior to the vesting date of any awarded RSUs, then a pro rata portion of such RSUs will vest immediately prior to the date of his termination of employment. The value of such RSUs, as of December 31, 2010, is CA $75,215.

Ms. Barber’s employment agreement provides that Ms. Barber is entitled to 12 months’ salary in lieu of notice if Ms. Barber is terminated without cause from her position at any time, or if she is terminated upon a change of control of the Company. This amount is equal to a maximum of approximately CA $155,000 based on Ms. Barber’s current compensation. The agreement also provides that all outstanding stock options held by Ms. Barber will immediately vest upon termination without cause or termination resulting from a change of control of the Company. Ms. Barber has agreed to refrain from competing with and interfering in the business of Hydrogenics for a period of three years subsequent to her termination for any reason. Under the RSU Plan, if Ms. Barber's employment is terminated by the Company without cause, prior to the vesting date of any awarded RSUs, then a pro rata portion of such RSUs will vest immediately prior to the date of her termination of employment. The value of such RSUs, as of December 31, 2010, is CA $22,970.

Director Compensation

Director Compensation Table

The following table provides a summary of compensation earned during the financial year ended December 31, 2010 by our directors.

Name	Fees Earned	Share Based Awards	Option Based awards	Non-equity Incentive Plan Compensation	All Other Compensation	Total
	($)	($)	($)	($)	($)	($)
Douglas S. Alexander	47,625	57,375	n/a	n/a	Nil	105,000
Michael Cardiff	55,500	34,000	n/a	n/a	Nil	89,500
Henry J. Gnacke	27,000	24,000	n/a	n/a	Nil	51,000
Norman M. Seagram	Nil	80,000	n/a	n/a	Nil	80,000

In 2010, each of our directors who is considered "independent" was paid an annual fee of $12,000 for his services as a director and an attendance fee of $1,000 for each Board or committee meeting attended. Each committee chair received an additional attendance fee of $500 for each committee meeting attended. Our Chairman of the Board was paid an annual fee of $25,000 for his services and an attendance fee of $1,500 for each Board meeting attended. All directors were reimbursed for travel and other reasonable expenses incurred in attending Board and committee meetings.

Deferred Share Units

Pursuant to the DSU Plan, independent directors are entitled to elect to receive all or any portion of their annual retainer and meeting fees in the form of DSUs instead of cash. A DSU is a right to receive a cash payment based on the value of a Share, credited by means of a book-keeping entry in the books of the company, to an account in the name of the independent director. At the end of the director's tenure as a member of the Board, the director is paid, in cash, the market value of the Shares represented by the DSUs.

The Board of Directors has approved the following annual DSU grants to independent directors: independent director – $24,000 equivalent in DSUs; Chair of the Human Resources and Corporate Governance Committee - $34,000 equivalent in DSUs; Chair of the Audit Committee - $34,000 equivalent in DSUs; and Chairman of the Board of Directors - $39,000 equivalent in DSUs.

Contemporaneously with the adoption of the DSU Plan, the Board also established ownership guidelines for directors pursuant to which each non-employee director is required to hold Shares and/or DSUs equal to three times the director's annual cash retainer within three years of initial appointment. The value of the directors' Shares or DSUs are measured at either the year-end Share price, or a director's acquisition cost of Shares and initial grant price of DSUs.

Incentive Plan Awards

Outstanding Share Based Awards and Option Based Awards During the Year ended December 31, 2010

	Option Based Awards				Share Based Awards	
Name	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-money Options	Number of Shares or Units of Shares That Have Not Vested	Market or Payout Value of Share-Based Awards That Have Not Vested
	(#)	CA ($)				CA ($)
Douglas S. Alexander	n/a	n/a	n/a	n/a	n/a	n/a
Michael Cardiff	n/a	n/a	n/a	n/a	n/a	n/a
Henry J. Gnacke	n/a	n/a	n/a	n/a	n/a	n/a
Norman M. Seagram	480	217.50	Jan 31, 2011	nil	n/a	n/a
	320	218.75	May 16, 2011	nil		
	400	205.00	Jun 27, 2012	nil		
	480	147.75	May 30, 2013	nil		
	600	164.50	May 27, 2014	nil		

Incentive Plan Awards - Value Vested or Earned During the Year ended December 31, 2010

Name	Option Based Awards - Value Vested During the Year	Share Based Awards - Value Vested During the Year	Non-equity Incentive Plan Compensation - Value Earned During the Year
	($)	($)	($)
Douglas S. Alexander	n/a	57,375	n/a
Michael Cardiff	n/a	34,000	n/a
Henry J. Gnacke	n/a	24,000	n/a
Norman M. Seagram	n/a	80,000	n/a

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Which May Be Issued in Connection With Outstanding Options, Warrants and Rights)
Equity compensation plans approved by shareholders	286,545	CA $51.55	165,600
Equity compensation plans not approved by shareholders	n/a	n/a	n/a
Total	286,545	CA $51.55	165,600

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at March 28, 2011, none of our current directors or executive officers are indebted to the Company.

OTHER INFORMATION

Directors' and Officers' Liability Insurance

The Company has purchased liability insurance for the benefit of itself and the directors and officers of the Company and certain subsidiaries. Protection is provided to directors and officers for wrongful acts, including any actual or alleged error, misstatement, misleading statement, act, omission, neglect, or breach of duty by any director or officer in his or her insured capacity. The insurance coverage has an annual policy limit of $10 million plus an additional $15 million available to directors and officers exclusively for non-indemnifiable claims and $5 million available exclusively to independent directors. There is a program retention of $250,000 for all claims against the Company. The cost of this insurance is approximately $342,000.

Interest of Informed Persons in Material Transactions

In the normal course of our operations, we subcontract some manufacturing to Viking Engineering & Tool Co., 301 Bartlett Avenue, Toronto, ON, M6H 3G7, a company owned by the father and uncle of Joseph Cargnelli, a founder and senior officer of the Company and one of our principal shareholders. For the fiscal year ended December 31, 2010, this company invoiced us approximately $172,000. We believe these transactions are, in respect of the Company, on no more favourable terms than similar transactions with unrelated third parties.

Interest of Directors and Executive Officers in Matters to Be Acted Upon

Except as described elsewhere in this proxy circular, none of our directors or executive officers, nor any of their known associates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

Receipt of Shareholder Proposals for Next Annual Meeting

Any shareholder who intends to present a proposal at our 2011 annual meeting of shareholders must send the proposal to our Corporate Secretary at 220 Admiral Boulevard, Mississauga, Ontario, L5T 2N6. In order for the proposal to be included in the proxy materials we send to shareholders for that meeting, the proposal must be received by us no later than December 29, 2011, and must comply with Section 137 of the CBCA.

Additional Information

Financial information for the financial year ended December 31, 2010 is provided in our consolidated financial statements and MD&A, which are included in the Company's annual report. Shareholders who wish to be added to the mailing list for the annual and interim unaudited consolidated financial statements and MD&A should contact the Company at 220 Admiral Boulevard, Mississauga, Ontario, L5T 2N6.

Copies of our current Form 20-F, filed in Canada as our AIF, and of any document, or the pertinent pages of any document, incorporated by reference in the current Form 20-F; (our most recently filed comparative annual financial statements,) together with the accompanying report of the auditors, and any of our interim unaudited consolidated financial statements that have been filed for any period after the end of our most recently completed financial year and this proxy circular are available to anyone, upon request, from our Corporate Secretary, and without charge to shareholders of the Company. The Company's general telephone number is (905) 361-3660.

The annual report (including the consolidated financial statements and MD&A), the Form 20-F and other information relating to the Company is available on the SEDAR website at www.sedar.com.

Directors' Approval

The contents and mailing to shareholders of this proxy circular have been approved by our Board of Directors.

Lawrence Davis
Chief Finance Officer and Corporate Secretary
March 28, 2011

Appendix A – Stock Option Plan Amendment Resolution

RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

(1) The Company's stock option plan shall be amended to provide that the number of common shares ("Shares") of the Company issuable pursuant to the exercise of options under the Company's stock option plan be increased by an additional 55,142 Shares such that a total of 535,142 Shares shall be available for issuance under the Company's stock option plan.

(2) Any director or officer of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

Appendix B - Board Mandate

INTRODUCTION

The term "Company" herein shall refer to Hydrogenics Corporation and the term "Board" shall refer to the Board of Directors of the Company.

The Board is elected by the shareholders and is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure and supervising management to oversee that the foregoing enhance and preserve the underlying value of the Company.

Although directors may be elected by the shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company as a whole must be paramount at all times.

QUALIFICATIONS OF DIRECTORS

A majority of the directors will be "independent." No director will be deemed independent unless the Board affirmatively determines the director has no material relationship with the Company, directly or as an officer, shareholder or partner of an organization that has a material relationship with the Company. The Board will observe all additional criteria for determining director independence pursuant to the rules of Nasdaq Global Market, the Toronto Stock Exchange, and other governing laws and regulations.

DUTIES OF DIRECTORS

The Board discharges its responsibility for overseeing the management of the Company's business by delegating to the Company's senior officers the responsibility for day-to-day management of the Company. The Board discharges its responsibilities both directly and through its committees, the Audit Committee and the Human Resources and Corporate Governance Committee. Only independent members may serve on any of the foregoing committees of the Board. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. Each of the standing committees of the Board will have its own charter. The charter will set forth the responsibilities of each committee, procedures of the committee and how the committee will report to the Board.

Directors must fulfill their responsibilities consistent with their fiduciary duty to the shareholders, in compliance with all applicable laws and regulations. Directors will also, as appropriate, take into consideration the interests of other stakeholders, including employees and the members of communities in which the Company operates.

In addition to the Board's primary roles of overseeing corporate performance and providing quality, depth and continuity of management to meet the Company's strategic objectives, principal duties include, but are not limited to the following categories:

Appointment of Management

1. The Board has the responsibility for approving the appointment of the Chief Executive Officer and all other officers of the Company and approving the compensation of the Chief Executive Officer, following a review of the recommendations of the Human Resources and Corporate Governance Committee. To the extent feasible, the Board shall satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and ensure the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

2. The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits and material transactions outside the ordinary course of business are reviewed by and subject to the prior approval of the Board.

3. The Board oversees that succession planning programs are in place, including programs to appoint, train, develop and monitor management.

Board Organization

4. The Board will respond to recommendations received from the Human Resources and Corporate Governance Committee, but retains the responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.

5. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, the conduct of performance evaluations and oversight of internal controls systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

6. Non-management directors will meet in camera as needed. Normally, such meetings will occur at the end of regularly scheduled Board meetings.

7. The Board has the authority to hire independent legal, financial or other advisors as it deems necessary.

Strategic Planning

8. The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the business and its objectives and goals.

9. The Board is responsible for adopting a strategic planning process and approving and reviewing, on at least an annual basis, the business, financial and strategic plans by which it is proposed the Company may reach those goals, and such strategic plans will take into account, among other things, the opportunities and risks of the business.

10. The Board has the responsibility to provide input to management on emerging trends and issues and on strategic plans, objectives and goals that management develops.

Monitoring of Financial Performance and Other Financial Reporting Matters

11. The Board is responsible for enhancing congruence between shareholder expectations, Company plans and management performance.

12. The Board is responsible for:

    a. adopting processes for monitoring the Company's progress toward its strategic and operational goals, and to revise and alter its direction to management in light of changing circumstances affecting the Company; and

    b. taking action when Company performance falls short of its goals or as other special circumstances warrant.

13. The Board shall be responsible for approving the audited consolidated financial statements, interim consolidated financial statements and the notes and Management's Discussion and Analysis accompanying such consolidated financial statements.

14. The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters the Board is required to approve under the Company's governing statute, including the payment of dividends, issuance, purchase and redemption of securities, acquisitions and dispositions of material property, plant and equipment and material capital expenditures.

Risk Management

15. The Board has responsibility for the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Company and achieving a proper balance between the risks incurred and the potential return to the Company's shareholders.

16. The Board is responsible for the Company's internal control and management information systems.

Policies and Procedures

17. The Board is responsible for:

    a. developing the Company's approach to corporate governance and approving and monitoring compliance with all significant policies and procedures related to corporate governance; and

    b. approving policies and procedures designed to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards and, in particular, adopting a written code of business conduct and ethics which is applicable to directors, officers and employees of the Company and which constitutes written standards that are reasonably designed to promote integrity and to deter wrongdoing.

18. The Board enforces its policy respecting confidential treatment of the Company's proprietary information and Board deliberations.

19. The Board is responsible for monitoring compliance with the Company's Code of Ethics. Any waivers from the code that may be granted for the benefit of the Company's directors or executive officers must be granted by the Board (or a Board committee) only.

Communications and Reporting

20. The Board has approved and will revise from time to time as circumstances warrant a Corporate Disclosure Policy to address communications with shareholders, employees, financial analysts, the media and such other outside parties as may be appropriate.

21. The Board is responsible for:

    a. overseeing the accurate reporting of the financial performance of the Company to shareholders, other security holders and regulators on a timely and regular basis;

b. overseeing that the financial results are reported fairly and in accordance with Canadian generally accepted accounting standards and related legal disclosure requirements;

c. taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Company;

d. reporting annually to shareholders on its stewardship for the preceding year; and

e. overseeing the Company's implementation of systems that accommodate feedback from stakeholders.

Position Descriptions

22. The Board is responsible for:

    a. developing position descriptions for the Chair of the Board, the chair of each Board committee and the Chief Executive Officer (which will include delineating management's responsibilities);

    b. approving the corporate goals and objectives that the Chief Executive Officer is responsible for meeting; and

    c. developing a position description for the directors which sets out the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.

Orientation and Continuing Education

23. The Board is responsible for:

    a. ensuring all new directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Company expects from its directors) and that they understand the nature and operation of the Company's business; and

    b. providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Company's business remains current.

Human Resources of Directors

24. In connection with the nomination or appointment of individuals as directors, the Board is responsible for:

    a. considering what competencies and skills the Board, as a whole, should possess;

    b. assessing what competencies and skills each existing director possesses; and

    c. considering the appropriate size of the Board, with a view to facilitating effective decision making. In carrying out each of these responsibilities, the Board will consider the advice and input of the Human Resources and Corporate Governance Committee.

25. Director nominees shall be selected by a majority of the independent directors.

Board Evaluation

26. The Board is responsible for ensuring that the Board, its committees and each individual director are regularly assessed regarding his, her or its effectiveness and contribution. An assessment will consider, in the case of the Board or a Board committee, its mandate or charter and in the case of an individual director, any applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board.

Annual Review

27. The Human Resources and Corporate Governance Committee shall review and reassess the adequacy of this mandate at least annually and otherwise as it deems appropriate and recommend changes to the Board, as necessary. The Human Resources and Corporate Governance Committee will ensure this mandate or a summary that has been approved by the Human Resources and Corporate Governance Committee is disclosed in accordance with all applicable securities laws or regulatory requirements in the Company's annual management information circular or such other annual filing as may be permitted or required by applicable securities regulatory authorities.

AUDIT COMMITTEE CHARTER

A. Purpose

The Audit Committee shall be directly responsible for the appointment, compensation and oversight over the work of the Company's public accountants. The Audit Committee shall monitor: (1) the integrity of the consolidated financial statements of the Company; (2) the Company's compliance with legal and regulatory requirements; (3) the public accountants' qualifications and independence; and (4) the performance of the Company's internal audit function and public accountants. The Audit Committee shall oversee the preparation of and review the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

B. Committee Membership

The Audit Committee shall consist of no fewer than three members. Each member of the Audit Committee shall be unrelated and independent, and the composition of the Audit Committee shall satisfy the independence, experience and financial expertise requirements of the Nasdaq Global Market, The Toronto Stock Exchange and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder. The Board shall appoint the members of the Audit Committee annually, considering the recommendation of the Human Resources and Corporate Governance Committee, and further considering the views of the Chairman of the Board and the Chief Executive Officer, as appropriate. The members of the Audit Committee shall serve until their successors are appointed.

The Board shall have the power at any time to change the membership of the Audit Committee and to fill vacancies in it, subject to such new member(s) satisfying the independence, experience and financial expertise requirements referred to above. Except as expressly provided in this Charter or the by-laws of the Company, or as otherwise provided by law or the rules of the stock exchanges to which the Company is subject, the Audit Committee shall fix its own rules of procedure.

C. Committee Authority and Responsibilities

The Audit Committee shall have the sole authority to appoint or replace the public accountants (subject, if applicable, to shareholder ratification), and shall approve all audit engagement fees and terms and all non-audit engagements with the public accountants. The Audit Committee shall consult with management but shall not delegate these responsibilities. In its capacity as a committee of the Board, the Audit Committee shall be directly responsible for the oversight of the work of the public accounting firm (including resolution of disagreements between management and the public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the public accounting firm shall report directly to the Audit Committee. The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the committee and carry out its duties, and to conduct or authorize investigations into any matters within its scope of responsibilities.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or public accountants to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee's own performance.

In performing its functions, the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Audit Committee. The following functions are some of the common recurring activities of the Audit Committee in carrying out its oversight responsibility:

- Review and discuss with management and the public accountants the Company's annual audited consolidated financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations and recommend to the Board whether the audited consolidated financial statements should be included in the Company's annual report.

- Review and discuss with management and the public accountants the Company's quarterly financial statements, including disclosures made under Management's Discussion and Analysis of Financial Condition and Results of Operations or similar disclosures, prior to the filing of its quarterly report.

- Review and discuss with management and the public accountants the financial information and consolidated financial statements contained in any prospectus, registration statement, annual information form, circular or other material disclosure document of the Company, in each case prior to the filing of such documents.

- Review and discuss with management and the public accountants, as applicable: (a) major issues regarding accounting principles and consolidated financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management or the public accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the consolidated financial statements, including analyses of the effects of alternative GAAP methods on the consolidated financial statements; (c) any management letter provided by the public accountants and the Company's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the public accountants' activities or on access to requested information and management's response thereto; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the consolidated financial statements of the Company; and (f) earnings press releases, as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.

- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

- Obtain and review a report from the public accountants at least annually regarding: (a) the registered public accountants' internal quality control procedures; (b) any material issues raised by the most recent quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; (c) any steps taken to deal with any such issues; and (d) all relationships between the public accountants and the Company.

- Evaluate the qualifications, performance and independence of the public accountants, including a review and evaluation of the lead partner of the registered public accountants and taking into account the opinions of management.

- Ensure the lead audit partner of the public accountants and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002.

- Discuss with management and the public accountants any accounting adjustments that were noted or proposed by the registered public accountants but were passed (as immaterial or otherwise).

- Establish procedures for: (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- Review disclosures made by the Company's principal executive officer or officers and principal financial officer or officers regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.

- Review with management and approve the Company's investment policies for its securities portfolio and review the portfolio management performance.

- Review the performances of the Chief Financial Officer and other senior executives involved in the financial reporting process, review financial and accounting personnel succession planning within the Company and, where possible, consult on the appointment of, or departure of, individuals occupying these positions.

D. Limitations of Audit Committee's Roles

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to prepare consolidated financial statements, plan or conduct audits or to determine that the Company's consolidated financial statements and disclosures are complete and accurate and are in accordance with Canadian generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the registered public accountants.

HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE CHARTER

A. Purpose

The Human Resources and Corporate Governance Committee shall support the Board of Directors in exercising its human resources and corporate governance functions, including:

- with respect to human resources: (i) assist the Board of Directors in ensuring that the necessary policies and processes are in place by which all employees of the Company, with special attention to the executive group, will be fairly and competitively compensated; and (ii) produce a report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations; and

- with respect to corporate governance: (i) identify individuals qualified to become Board members, and recommend that the Board select the director nominees for the next annual meeting of shareholders; and (ii) develop and recommend to the Board the corporate governance guidelines and processes applicable to the Company.

B. Committee Membership and Procedure

The Committee shall consist of no fewer than three members. Each member of the Committee shall satisfy the independence requirements of applicable securities and exchange legislation and listing requirements (including the independence requirements of the Nasdaq Global Market, the Toronto Stock Exchange and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder) and, if deemed appropriate from time to time, meet the definition of "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, and "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986.

The Board shall appoint the members of the Committee, considering the views of the Chairman of the Board and the Chief Executive Officer, as appropriate. The members of the Committee shall serve until their successors are appointed and qualified, and shall designate the Chairman of the Committee. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to such new member(s) satisfying the above requirements.

Except as expressly provided in this Charter, the by-laws of the Company or the guidelines determined by the Board of Directors, from time to time, the Committee shall fix its own rules of procedure.

C. Committee Authority and Responsibilities

The Committee shall exercise the functions described below, which are delegated by the Board of Directors, as well as any other functions that may from time to time delegated by the Board of Directors.

With respect to human resources:

- Annually review and approve, on an aggregate basis, the total compensation of all employees of the Company and all subsidiaries of the Company.

- Annually review and approve corporate goals and objectives relevant to Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and set the Chief Executive Officer's compensation level based on this evaluation.

- Annually review the Chief Executive Officer's evaluation of the performance of the other officers of the Company and such other senior management and key employees of the Company or any subsidiary of the Company as may be identified to the Committee by the Board (collectively, the "Designated Executives") and review the Chief Executive Officer's recommendations with respect to the amount of compensation to be paid to the Designated Executives.

- Annually review, assess the competitiveness and appropriateness of and approve the compensation package of each of the Designated Executives.

- Review and approve any employment contracts or arrangements with each of the Designated Executives, including any retiring allowance arrangements or any similar arrangements to take effect in the event of a termination of employment.

- Review and recommend to the Board compensation policies and processes and in particular, the compensation policies and processes for the Designated Executives.

- In determining the long-term incentive component of the Chief Executive Officer's compensation and each Designated Executive's compensation, consider the Company's performance and relative shareholder return, the value of similar incentive awards to executives at comparable companies, and the awards given to Company executives in past years.

- Make recommendations to the Board with respect to incentive compensation and equity-based plans, and review and make recommendations with respect to the performance or operating goals for participants in such plans.

- Have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, Chief Executive Officer or senior executive compensation and have sole authority to approve the consultant's fees and other retention terms.

- Adopt, administer, approve and ratify awards under incentive compensation and stock plans, including amendments to the awards made under any such plans, and review and monitor awards under such plans.

- Review and report to the Board on the appropriateness of the succession planning of the Company, including appointing, training and monitoring senior management.

- Review the significant human resources policies, plans and programs of the Company to ensure they are supportive of the Company's near and long-term strategies.

- Undertake on behalf of, and in an advisory capacity to, the Board such other initiatives as may be necessary or desirable to assist the Board in discharging its responsibility to ensure that appropriate human resources development, performance evaluation, compensation and management development programs are in place and operating effectively.

With respect to corporate governance:

- The Committee shall develop qualification criteria for Board members, and actively seek, interview and screen individuals qualified to become Board members for recommendation to the Board in accordance with the guidelines determined by the Board of Directors, from time to time.

- The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firm's fees and other retention terms.

- The Committee shall annually receive comments from all directors and report annually to the Board with an assessment of the Board's and individual's performance.

- The Committee shall develop and recommend to the Board a Code of Business Conduct and Ethics, and shall consider any requests for waivers from the Company's Code of Business Conduct and Ethics. The Company shall make disclosure of such waivers to the Securities and Exchange Commission and, as required, to the exchanges on which the Company's securities are listed for trading.

- The Committee shall review annually, or more often if appropriate, the directors who are members (including qualifications and requirements), structure (including authority to delegate) and performance of committees of the Board (including reporting to the Board), and make recommendations to the Board, as appropriate.

- The Committee shall serve in an advisory capacity to the Board and Chairman of the Board on matters of organizational and governance structure of the Company and the conduct of the Board.

In connection with the foregoing authority and responsibilities:

- The Committee shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

- The Committee shall make regular reports to the Board.

- The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

- The Committee shall annually review its own performance.

- The Committee may form and delegate authority to subcommittees when appropriate.

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