

AZURE DYNAMICS CORPORATION

THE BOARD OF DIRECTORS MANDATE

The Board of Directors of Azure Dynamics Corporation (the “Corporation”)

MANDATE

- Supervising the Management of the Business and Affairs of the Corporation -

Our Main Responsibilities:

We provide the supervision necessary for:

1. **Disclosure of Reliable and Timely Information to Shareholders** – the Shareholders depend on us to get them the accurate and relevant information.
2. **Approval of Strategy and Major Policy Decisions of the Corporation** – we must understand and approve where the Corporation is going, be kept current on its progress towards those objectives and be part of and approve any major decisions.
3. **Evaluation, Compensation and Succession for Key Management Roles** – we must be sure that the key roles have the right people, that they are monitored and evaluated by us and that they are appropriately compensated to encourage the Corporation’s long-term success.
4. **Oversight of the Management of Risks and the Implementation of Internal Controls** – we must be satisfied that the assets of the Corporation are protected and that there are sufficient internal checks and balances.
5. **Effective Board Governance**- to excel in our duties we need to be functioning properly as a board – strong members with the right skills and the right information.

Independence is Key

The Board of Directors understands that we must be independent of the management of the Corporation. To enhance our independence we have implemented the following:

- A majority of the members of the Board are independent
- All committees are composed solely of non-management and independent directors
- The Board and its committees can meet independently of management at any time
- The Board and its committees can hire their own independent advisors
- The Chair with a clear mandate provides leadership for the independent directors
- A policy requires all directors to hold the Corporation's shares.
- The provision of high-quality information for directors – orientation for new directors, meaningful presentations, access to management and sufficient time to review material

We know independence requires more – it requires preparation for and attendance at meetings, understanding of the issues, strength, integrity and an inquiring mind.

Our Composition

Our number shall be as provided for in the Corporation's By-laws from time to time and shall comply with the Guidelines of Board composition established by the Nominating and Corporate Governance Committee of the Corporation. Each director shall possess the qualities set out in the Position Description for Directors.

We will create committees from time to time and will delegate certain functions to them. Each of these committees has a written Mandate and the Chair of each committee has a written position description. These Mandates and position descriptions are reviewed on a regular basis and are updated and amended as often as needed to respond to the evolving regulatory and market environments in which the Corporation operates.

Independent Functioning of Board and Committees

The board is responsible for establishing the appropriate procedures to ensure that the board, committees and individual directors can function independently of management to the extent considered necessary or desirable by directors. The board can retain independent professionals. Each committee can retain and terminate independent professionals and each has the sole authority to approve all fees payable to an independent professional. Any director can retain an independent professional with the prior approval of the Nominating and Corporate Governance Committee. Each committee and the board can conduct all or part of any meeting in the absence of management, and it is the board's policy to include such a session on the agenda of each regularly-scheduled board meeting.

Each committee chair can also require the Corporate Secretary to convene a meeting of the board or a committee to be held in the absence of management or to reserve an agenda item at any board or committee meeting for business to be conducted in the absence of management. Each director can request such a meeting or reserved agenda item by contacting a committee chair.

Meetings

The board meets a minimum of four times per year. For regularly scheduled meetings, an agenda for each board meeting and other documents for consideration are sent by courier to all directors about one week in advance of each meeting. For special meetings of the board, best efforts are made to distribute materials to the directors as far in advance as practicable. A complete board package, which includes all material for the meeting, is provided to each director prior to the commencement of each meeting.

Specific Duties and Responsibilities

The board has the following specific duties and responsibilities, which may be delegated to committees of the board, in whole or in part, with ongoing reporting by the committees to the board:

Strategic Planning

The board is responsible for the strategy and fundamental goals of the Corporation for all aspects of its undertaking. This responsibility includes the adoption of a strategic planning process; convening an annual strategic planning session involving the board and senior management; approving strategic plans, which take into account, among other things, the major opportunities and risks of the Corporation; and overseeing the implementation of strategic plans and monitoring performance against such plans. This responsibility also includes reviewing and approving all major strategy and policy recommendations including the financial plan and approving operating budgets, and specific requests for major acquisitions.

Risk Management

The board is responsible for ensuring that the appropriate policies and procedures are in place to protect the assets of the Corporation and assure its viable future. The board is also responsible for identifying the principal risks of all aspects of Corporation's business and ensuring the implementation of appropriate systems to manage these risks.

Internal Controls and Management Information Systems

The board is responsible for overseeing and monitoring the integrity of the Corporation's internal controls and procedures, management information systems and audit procedures, and overseeing the appropriate operation of the Corporation including compliance with all applicable legal and regulatory requirements through financial and other management information systems, and appropriate inspection, compliance and control systems. The board is responsible for ensuring that financial reporting and financial control systems are adequate and operating, and approving the quality and sufficiency of information provided to the directors.

Communications Policy

The board is responsible for establishing a communications policy for the Corporation and overseeing the maintenance of effective stakeholder and shareholder relations through the Corporation's communications policy and programs so that accurate and timely material information is disseminated to and feedback is accommodated from shareholders.

Director Orientation and Assessment

The board is responsible for ensuring there is an appropriate, formal orientation program for new directors and for assessing the contribution of the board, committees and all directors annually.

Evaluation, Compensation and Succession Planning

The board is responsible for overseeing the effective operation of the Corporation by appointing, assessing performance of, compensating, disciplining and succession planning for all senior officers of the Corporation. The board is responsible for ensuring the senior management team has the appropriate qualities and competencies to meet the expectations set by the board. The board is responsible for approving the compensation of the senior management team and the compensation policies of the Corporation, including reviewing the adequacy and form of compensation of directors. The board is responsible for developing a position description for the board, the Chair of the Board, the Chief Executive Officer, the President and Chief Operating Officer, the Chief Financial Officer and the Chair of each board committee which, together with other board approved policies and practices, should provide for a definition of the limits to management's responsibilities. The board is responsible for approving the objectives of the Corporation to be met by the Chief Executive Officer and the President and chief Operating Officer.

General

The board is responsible for monitoring the effectiveness of the Corporation's corporate governance practices and approving any necessary changes, as required. The board is responsible for establishing general corporate policies and performing other tasks required by law.

(Adopted by the Board on November 8, 2005)