

AZURE DYNAMICS CORPORATION CODE OF BUSINESS CONDUCT AND ETHICS POLICY

INTRODUCTION

At Azure, we value our good name and apply the highest standards of integrity to everything we do.

Why Ethics Matter to You and the Company

Operating in an ethical manner is essential to our success. Our customers, shareholders and business partners rely on us to be honest and fair. We must behave ethically in order to maintain our customers', our shareholders' and our business partners' confidence and ultimately to keep their business. It is in our best interest to set high standards for ourselves at all times.

The Purpose of This Code

This Code of Business Conduct and Ethics Policy (the "Code") is for all employees and officers and directors (collectively, "Representatives") of Azure Dynamics Corporation and its subsidiaries, partnerships and joint ventures, if any, (collectively, the "Company"). The Code provides standards for ethical behaviour when dealing with other people—from employees, officers and directors to customers, suppliers, government authorities and the public. A code of business conduct is mandated by Canadian securities regulatory authorities.

What Happens if Someone Violates the Code?

This Code and its requirements are taken seriously by the Company. Any violation will be dealt with quickly. To protect the Company's good name, the Company may discipline and/or terminate its relationship or affiliation with any Representative who breaches this Code or related policies. In the case of members of the Board of Directors, the Company may require resignation from their position. If violating the Code also violates the law, you may be subject to prosecution.

Ethics Checklist

We believe that our Representatives should avoid ethical, legal, financial and other conflicts of interest and ensure that their activities and interests do not conflict with their obligations to the Company. While a code of conduct provides general rules, it cannot cover every situation. Ethical behavior often comes down to personal decisions. To help you make ethical choices, ask yourself the following questions:

- Is this legal?
- Is it fair?
- Would I want other people to know I did it?
- How would I feel if I read about it in the newspaper?
- How will I feel about myself if I do it?
- What would I tell my child or a close friend to do in a similar situation?

Where to Go for Additional Help

This Code does not provide a summary of all laws, rules and regulations applicable to the Company and its Representatives. Therefore, if you are unsure as to whether a course of action is appropriate, you should consult with a senior officer or manager of the Company. If you become aware of a conflict or potential conflict, you should bring it to the attention of your immediate supervisor, your supervisor's manager or consult the procedures described in this Code.

COMPLIANCE WITH LAWS

You should respect and comply with all of the laws, rules and regulations of Canada and other countries, and the provinces, states, counties, cities and other jurisdictions in which the Company conducts its business or the laws, rules and regulations of which are applicable to the Company.

Such legal compliance should include, without limitation, compliance with the "insider trading" prohibitions applicable to the Company and its Representatives. Generally, anyone who has access to or knowledge of confidential or non-public information from or about the Company is not permitted to buy, sell or otherwise trade in the Company's securities, whether or not they are using or relying upon that information, until that information has been widely disseminated to the public. This restriction extends to sharing or tipping others about such information, especially since the individuals receiving such information might utilize such information to trade in the Company's securities. In addition, the Company has implemented trading restrictions to reduce the risk, or appearance, of insider trading.

You should review the Company's Disclosure, Confidentiality and Insider Trading Policy or speak to the Chief Executive Officer, the Chair of the Company's Compensation, Corporate Governance and Human Resources Committee (the "CG Chair"), the Chief Financial Officer or the Chairman of the Company if you have questions regarding the applicability of such insider trading prohibitions.

CONFLICTS OF INTEREST

Conflicts of interest damage the trust between you, the public and the Company. To help prevent conflicts, all Representatives who are managers and above and individuals elected to the Board of Directors are required to complete a conflict of interest disclosure statement (see Schedule A). You are responsible for updating the statement as your circumstances change.

You should be scrupulous in avoiding a conflict of interest with regard to the Company's interests. A "conflict of interest" exists whenever an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of the Company or its customers and stakeholders. A conflict situation can arise when a Representative takes actions or has interests that may make it difficult to perform his or her Company responsibilities effectively. Conflicts of interest may also arise when a Representative, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company, whether received from the Company or a third party.

Conflicts of interest may take various forms, some of which are set out below. Not all conflicts of interest are set out here. If you need advice, speak to your immediate supervisor, your supervisor's manager, the President, the Chief Executive Officer, the Chief Financial Officer, the

Chairman, or the CG Chair. The individuals who receive such queries are expected to escalate the query to CG Chair or for the Chief Executive Officer for review and determination regarding further action required, if any.

CORPORATE OPPORTUNITY

You should not use your position with the Company to secure business for a company you own in whole or in part or to provide family members with business or employment opportunities.

You may not (a) take for yourself personally opportunities that properly belong to the Company or are discovered through the use of corporate property, information or position; (b) use corporate property, information or position for personal gain; and (c) compete with the Company.

You owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises.

CONFIDENTIALITY

You must maintain the confidentiality of confidential information entrusted to you by the Company or its suppliers or customers, except when disclosure is authorized by the Chairman, the Chief Executive Officer, the President or the Chief Financial Officer or required by laws, regulations or legal proceedings. Whenever feasible, you should consult the Chief Financial Officer if you believe you have a legal obligation to disclose confidential information. Confidential information includes all non-public information that might be of use to competitors of the Company or harmful to the Company or its suppliers or customers if disclosed. The Company's Disclosure, Confidentiality and Insider Trading Policy sets out further information regarding the Company's confidential information.

If you have access to confidential information as a result of your job, you must use every precaution to keep it confidential. It is important to use discretion when discussing Company business in public places such as restaurants and airplanes, or when using public or cellular phones, the Internet and fax machines.

You must not use the confidential information of the Company for personal benefit.

You have a duty to protect confidential information even after you leave your employment with the Company.

FAIR DEALING

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices.

You should endeavour to deal fairly with the Company's customers, suppliers, competitors and Representatives. None should take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

PROTECTION AND PROPER USE OF COMPANY ASSETS

Company property is for Company business. You should not, for example take supplies for home use or use the Company's systems and/or software for your private business.

You should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All Company assets should be used for legitimate business purposes.

OUTSIDE EMPLOYMENT

It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer or supplier. You are not allowed to engage in outside employment that competes with the business interests of the Company and/or diverts time or attention away from your work with the Company or otherwise damages the Company's image. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on behalf of the Company.

BUSINESS GIFTS

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. The acceptance of gifts in exchange for business, a contract or any other exchange of business activity is prohibited, and may be illegal in some jurisdictions. You may not give or accept gifts, gratuities, favours or benefits if they (a) are in cash, (b) are excessive in value, (c) go beyond what could reasonably be considered ethical and accepted business practices, (d) can be construed as a bribe or payoff, (e) they violate any laws or regulations or (f) may influence or appear to influence the performance of your duties.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Many materials used in the course of work for the Company and intellectual property rights which may be the subject matter of a patent are protected by copyright, trademark, patents and other intellectual property laws. A few examples are equipment designs, patents, trade secrets, computer software. The Company is the sole owner of all intellectual property (whether copyrighted and whether or not the subject matter of trademark or patent protection), created by you during your employment with the Company. Further, the Company from time to time makes use of intellectual property under license from third parties (e.g. software). Use or copying of any such Company or third party intellectual property for any personal advantage or private use or in violation of the licence agreement for that intellectual property contravenes this Code.

ACCOUNTING AND RECORDS

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult your manager, the President, or the Chief Executive Officer or the Chief Financial Officer.

PUBLIC COMPANY REPORTING

As a public company, it is critical that the Company's filings with the appropriate securities regulatory authorities in all jurisdictions be accurate and timely. Depending on your position with the Company, a Representative may be called upon to provide necessary information to ensure that the Company's public reports are complete, fair and understandable. The Company expects that you will take this responsibility very seriously and will provide prompt accurate answers to inquiries related to the Company's public disclosure requirements.

ACCOUNTING COMPLAINTS

It is the Company's policy to comply with all applicable financial reporting and accounting regulations applicable to the Company. If you have concerns or complaints regarding questionable accounting or auditing practices of the Company, then you should submit those concerns or complaints (anonymously, confidentially or otherwise) to the Chair of the Board of Directors, the Chair of the Audit Committee of the Board of Directors, or any director who is a member of the Audit Committee, at the principal executive offices of the Company (all of whom will, subject to their duties arising under applicable law, regulations and legal proceedings, treat such submissions confidentially).

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOUR

You are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behaviour and, when in doubt, about the best course of action in a particular situation. If you are concerned that violations of the Code or that other illegal or unethical conduct by Representatives have occurred or may occur, you should contact your supervisor. If you do not believe it is appropriate, or you are not comfortable approaching your supervisor about your concern or complaint, you may contact the Chairman, a member of the Audit Committee or a member of the Compensation, Corporate Governance and Human Resources Committee of the Board of Directors of the Company. A current list of the people occupying these positions is available on the Company intranet for ease of reference. Your confidentiality will be protected, subject to applicable law, regulations or legal proceedings.

NO RETALIATION

You should know that we will not allow retaliation of any kind by or on behalf of the Company and its Representatives against reports made in good faith or complaints of violations of this Code or other illegal or unethical conduct. Representatives found to have engaged in retaliatory behavior may be subject to discipline up to and including termination.

DISCLOSURE OF CONFLICTS OF INTEREST

You must report any personal conflicts of interest to the Company. All Representatives who are managers and above and individuals elected to the Board of Directors are required to sign a Conflict of Interest Statement and to reaffirm their acknowledgement of this Code and disclosure

requirements annually. This process will be administered by the Chief Financial Officer and any forms that you are required to complete will be forwarded to you by him/her. You must disclose any possible conflicts in a timely fashion in order that they may be assessed. Only through open disclosure may potential or active conflicts of interest be identified and managed appropriately.

AMENDMENTS, MODIFICATIONS AND WAIVERS OF THE CODE

This Code may be amended, modified or waived by the Board of Directors of the Company and waivers may also be granted by the Compensation, Corporate Governance and Human Resources Committee, subject to the disclosure and other provisions of applicable securities laws, regulations and policies.

Standard of Conduct in the Workplace

The Company is committed to providing a professional work environment built on a foundation of mutual honesty, respect and integrity. We are proud to operate in an environment where each person conducts themselves in an appropriate and considerate manner. It is the Company's expectation that each individual will uphold this standard of conduct.

Inappropriate conduct such as the following will not be tolerated:

- Failure or refusal to comply with instructions, to follow Company procedures, to perform reasonable duties assigned, or to follow safety regulations.
- Making false or malicious statements regarding the Company or any employee.
- Insubordination.
- Stealing or attempting to steal from, or defrauding or attempted defrauding of, the Company or any employee or client. This applies to non-working hours as well as while on the job.
- Possession of, use of, attempt to sell or distribute alcoholic beverages, drugs or illegal substances on the Company's premises or while conducting Company business, or reporting to work or working under the influence of, or when impaired by, alcohol, drugs or illegal substances.
- Damaging or destroying Company property, or the property of another on Company premises.
- Falsifying or altering any Company record, including applications for employment, pre-employment records, or withholding of any relevant information.
- The release, disclosure or use of confidential or proprietary information or trade secrets without the Company's written authorization.
- Violation of any Company policy, including this Code, as it may be revised from time to time.

The Company is committed to this Code and the Standard of Conduct in the Workplace contained herein, and will aggressively deal with any contravention of it and other policies applicable to employees.

It is the responsibility of Management to protect any employee from retaliation for having made an allegation in good faith, whatever the outcome of the review of the allegation.

SCHEDULE A

Azure Dynamics Corporation Conflict of Interest Disclosure Statement

The purpose of this document is to elicit information from you to assist in determining if you have any conflict or potential conflict of interest between your personal interests and obligations to Azure Dynamics Corporation or any of its subsidiaries, partnerships or joint ventures (collectively, the “Company”). You are required to complete this document fully and truthfully, and are encouraged to report in detail any matter that may pose a conflict even if you are not certain of its materiality. When completed and signed this conflict of interest disclosure statement should be delivered to Azure’s Chief Financial Officer. These Statements will be reviewed and the Compensation, Corporate Governance and Human Resources Committee of the Board will assess any matters of potential conflict. You will be advised by this Committee should any actions or restrictions be required with regard to your duties or other interest.

Name: _____

Position: _____

Department: _____

Division: _____

Employment Status: F/T ___ P/T ___ Fixed Term _____ (From: _____ to _____)

Part A – Work for Outside Organizations

1. During the past 12 months of your employment with the Company, have you worked as an employee, officer, director, agent, independent contractor or consultant (paid or unpaid) with, by or for any other organization?

Yes ___ No ___

2. Do you expect to work as an employee, with, by or for any other organization in the next 12 months?

Yes ___ No ___

If you answered “No” to both of the above questions, please go to Part B.

3. If you answered “Yes” to either of the above questions, please provide the following information:

Name of Organization: _____

Number of days you were engaged in the past 12 months: _____

Number of days you will be engaged in the next 12 months: _____

Where you performed the work: _____

Brief description of the work:

Describe the relationship between this outside activity and your activities at the Company:

(Use a separate sheet if necessary to list and describe additional organizations)

Part B – Management & Fiduciary Activities

4. While an employee of the Company, have you occupied a management or other fiduciary role (including service as an employee, officer, director or supervisor) in any organization other than the Company for any part of the last 12 months?

Yes _____ No _____

Do you expect to have one during the next 12 months?

Yes _____ No _____

If you answered “No” to both of these questions, then please go to Part C.

5. If you answered “Yes” to either of these questions, please provide the following information:

Name of Organization: _____

Brief description of the business of the organization:

Your title: _____

The nature of your responsibilities:

The number of days you work each year for the organization: _____

(Use a separate sheet to list and describe additional organizations)

Part C – Financial Interests

“Financial interest” generally means an interest in an organization or enterprise, other than the Company, that has monetary value or based on which you receive or expect to receive remuneration. This includes, but is not limited to:

- Any financial interest (such as ownership of stock, stock options or other securities of an organization or enterprise; partnership interests; loans to or from an organization; or leases of property to or from the organization) of yours, your spouse and/or your dependent children. It does not include ownership of any securities in which you have an interest solely through a mutual fund investment.
- Salary (other than from the Company), royalties, consulting fees, honouraria or other payments received by you, your spouse and/or dependent children. This excludes payments from government or non-profit organizations for seminars, lectures, or service on advisory committees.

6. To the best of your knowledge, do you or your spouse or dependent children have a financial interest in any organization that:

- (a) Competes with the Company? Yes ___ No ___
- (b) Is a vendor of services or products to the Company? Yes ___ No ___
- (c) Is otherwise involved in the business of the Company? Yes ___ No ___

If you answered “Yes” to any of the above, do you have control, authority or otherwise the opportunity to influence the relationship between the Company and the identified organization? Describe.

7. If you answered “Yes” to any part of Question 6, please provide the following information:

Name of Organization: _____

Type of financial interest (e.g. stock ownership, salary): _____
....and percentage of ownership: _____

Value: \$50,000 or less _____; \$50,000-\$100,000 _____; More than \$100,000 _____

8. Please explain how the organization or your interest may be affected by your role and responsibilities at the Company.

Section D – Other

Please describe any other conflicts or potential conflicts of interest with regard to your obligations to the Company.

None: _____

Section E – Board of Directors Only

1. During the past three years, have you or a member of your family been employed by or acted as a consultant to the Company or any subsidiary?

Y _____ N _____

If so, please provide details including tenure and compensation received.

2. Other than compensation for board service, have you received any other payment from the Company or any affiliates of the Company in the past three fiscal years?

Y _____ N _____

If you answered Yes to the above question, please provide details including the total amount of any such payments.

3. Have any of the executive officers of the Company served on the compensation committee of another entity that you are an executive of within the past three years?

Y _____ N _____

If yes, please provide details.

4. Are you a former partner or employee of an auditor who worked on the Company's audit engagement within the past three years?

Y _____ N _____

5. Are you a partner, controlling shareholder or executive officer of any organization (including not-for-profit or political organizations) that has received payments from or made payments to the Company during the past three fiscal years?

Y _____ N _____

If yes, please provide details including the amount of all payments received or made during the last three fiscal years and, in the case of payments made by the Company to another organization, the approximate percentage that such payments represent of such organization's total revenues.

SCHEDULE B

**Azure Dynamics Corporation
Reaffirmation of Conflict of Interest Disclosure Statement**

I, _____, reaffirm that the Conflict of Interest
(FIRST) (LAST)

Disclosure Statement initially provided to the Company reflects any real or potential conflicts I may have, as defined in the Azure Dynamics Corporation Code of Business Conduct and Ethics Policy (the “Code”), and does not require revision. I also acknowledge that I have read and understand the Code and all other policies of the Company and agree to abide by them. I understand that I am required to update the Conflict of Interest Disclosure Statement should my necessary responses vary materially from the Statement last signed. I also understand that failure to disclose known conflicts could be grounds for dismissal.

_____ at _____
(Signature) (City)

on this _____ day of _____, 20_____.