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Azure Dynamics reports third quarter 2006 results

TORONTO, Nov. 7 /CNW/ - Azure Dynamics Corporation (TSX: AZD & LSE: ADC) ('Azure' or the 'Company') a leading developer of hybrid electric and electric powertrains for commercial and military vehicles, today announced its financial results for the three and nine-month periods ended September 30, 2006. The Company also provided an update on corporate and product development activities during the third quarter.

'During the quarter we achieved significant progress as we concluded a number of key agreements in addition to product and customer developments. Our agreements with Ford and StarTrans are major milestones as they align us with industry leaders and provide us with established distribution networks to accelerate penetration into our targeted commercial vehicle and shuttle bus markets. Looking forward, our primary objective is to focus on the core products associated with these partnerships, our already launched G1 product, and to develop sales channels and the necessary infrastructure needed to support our growth strategy,' said Campbell Deacon, Deputy Chairman and Chief Executive Officer of Azure.

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Azure has formed significant relationships with industry leaders to increase penetration into its target markets and advance its product development programs. The agreements with Ford and StarTrans provide access to product development support and established distribution networks throughout North America. During the quarter, Azure launched commercial production of its G1 series hybrid product, on the Workhorse Custom Chassis platform, and expects to increasingly generate commercial revenues from applications of this product. Subsequent to the quarter-end, the Company completed an equity financing for gross proceeds of CDN\$30.2 million to fund ongoing product development, operations and working capital. In order to fully capitalize on these recent developments, Azure is now focusing its growth strategy on four main programs:

1. G1 (series hybrid) is now commercially available in delivery van and shuttle bus form. Key participants include Workhorse Custom Chassis (part of the International Group) for the chassis platform, Product Concepts Inc. for hybrid chassis modification, StarTrans (a business division of Supreme Corporation) for shuttle bus modification and distribution channels, and Purolator Courier Inc. as the lead step van customer.
2. P1 development (parallel hybrid for class 3 to 5 trucks and buses): As a result of the agreement with Ford, the development of the Company's P1 parallel powertrain will now be focused on the Ford E-350 and E-450 commercial vehicle chassis. The P1 pre-production units are anticipated in late-2007 with production commencing in 2008. Ford will assist Azure in the P1 powertrain development and intends, subject to formal agreement, to distribute the hybridized chassis through Ford's distribution channels.
3. P2 development (parallel hybrid for class 7 and 8 trucks): The P2 program is now through the initial concept development phase with promising initial results. Azure's immediate focus for this product is to formalize industry partner arrangements.
4. Under-The-Hood ('UTH') development: The UTH component product which provides a source for distributed power for both on-board vehicle auxiliary loads and off-vehicle power requirements (depending on application) was developed as a result of Azure's participation in

several military programs. Azure has signed a Memorandum of Understanding with Kidron, a division of VT Specialized Vehicles Corporation, for the sale of Azure's UTH systems throughout the North American refrigerated truck body segment and is expected to be in production in 2007.

By focusing on the products and programs mentioned above, Azure is confident that it can make significant inroads into its addressable markets and thereby build a robust and sustainable business. As the effort required to successfully commercialize these products will likely absorb Azure's engineering and operational resources for the foreseeable future, the Company intends to curtail all other activities that are not associated with the aforementioned production programs. Therefore, the Company will seek closure on a number of active military and commercial programs as a clear path to future commercial production has not been established.

As has previously been discussed, in the execution of its overall strategy, the Company is actively seeking a strategic industry partner. Azure believes that by partnering with a larger entity with aligned interests and strategic assets, it can accelerate and enhance the execution of the Company's commercialization program that is now underway. Azure has retained Rothschild to advise and assist it in the review of strategic options available. Evaluation of these options is ongoing, and Azure's strategic committee and Rothschild are engaged in discussions with various parties.

The Company's complete 2006 third quarter Financial Statements and Management Discussion and Analysis are available at www.sedar.com or on the Company's website at www.azuredynamics.com.

Azure Dynamics Corporation is a world leader in the development and production of hybrid electric and electric commercial and military vehicles and systems. The group estimates it has over 25 million miles of vehicle experience. Azure Dynamics' operations are based in North America and Europe.

Azure Dynamics is currently working internationally with various partners and customers including Purolator Courier Ltd., Canada Post, Ford Motor Company, U.S. Department of Defense, United States Postal Service, Tanfield Engineering Systems, Ltd., DRS Sustainment Systems, and AM General, LLC. Azure Dynamics Corporation is a public company trading on the TSX (AZD) in Canada and on the AIM (ADC) in the UK. For more company information please visit www.azuredynamics.com.

The TSX Exchange does not accept responsibility for the adequacy or accuracy of this release.

NOTE: The foregoing information may contain forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Such factors include, but are not limited to: the ability to raise the capital required for product development and operations, product development delays, changing environmental regulations, the ability to attract and retain business partners, competition from other developers of hybrid electric vehicle control systems, competition from other advanced or existing power technologies, evolving markets for power for transportation vehicles. These factors should be considered carefully and readers should not place undue reliance on Azure's forward-looking statements. Investors are encouraged to review the risks detailed from time to time in the company's filings with regulatory authorities.

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