



AZURE DYNAMICS REPORTS FIRST QUARTER RESULTS FOR PERIOD ENDING SEPTEMBER 30, 2001

Vancouver, British Columbia—November 29, 2001

[Azure Dynamics Corporation \(CDNX - AZD\)](#) a leading developer of hybrid electric smart energy management systems for commercial vehicles has announced its first quarter results.

The Company is engaged in the development of its core technologies and as such, it mainly expends monies on research and development activities, and on the management and infrastructure required to develop and commercialize its products. For the quarter ended September 30, 2001, the Company incurred a net loss of \$1,148,743 or \$0.05 per share. This compares to a net loss for the same quarter of the preceding fiscal year of \$169,320 or \$0.01 per share. The increase in the deficit in the quarter ended September 30, 2001, compared to the quarter ended September 30, 2000, is attributable to the higher level of research and development, marketing and management activities, as well as the costs associated with the expansion and strengthening of the technical and managerial teams.

D. Campbell Deacon, Chairman and CEO, stated, "Azure continues to make steady progress towards the commercialization of our technology and is becoming recognized as one of the world leaders in hybrid electric control systems for commercial vehicles."

Mr. Deacon explained that during the reporting period, the Company recruited several key executives, including a Chief Financial Officer, Gregory P. Francis, a Director of Product Development, Wesley M. Arnold, and a Director of Product Design, James R. Ireton, to complement and complete Azure's experienced and competent management team. "We now have the depth of technical and financial expertise that will enable us to meet our operational and financial goals," Deacon said.

He added, "We have been fortunate to recruit a number of new members to our Board of Directors. They are Nicholas O. Brigstocke, J. Brian Aune and Thomas N. Davidson Sr. These gentlemen are all highly-respected, experienced businessmen and entrepreneurs. I believe it is a tribute to Azure's potential that they have agreed to serve on our Board and assist us in moving forward to realize our vision."

"Our focus will continue to be on forging strategic alliances with key partners who have existing technologies that complement Azure's patented innovation," Mr. Deacon said, adding "We believe that this approach will accelerate our ability to bring a product to the marketplace that is compelling in its environmental, operational and economic features."

Mr. Deacon also explained that the Company intends to complete a financing in the near future to ensure that its base remains strong as the Company pursues the milestone of achieving a first commercial order.

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FOR MORE INFORMATION, CONTACT:

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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.

The Canadian Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release

Azure Dynamics Corporation
(A Development Stage Enterprise)
Unaudited Interim Consolidated Financial Statements
For the three months ended September 30, 2001

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Azure Dynamics Corporation
(A Development Stage Enterprise)
Consolidated Balance Sheets

As at	September 30 2001 (Unaudited)	June 30 2001 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 1,720,822	\$ 2,859,452
Investment tax credits receivable	15,103	147,341
Accounts receivable	235,403	242,618
Prepaid expenses	73,810	73,000
Total current assets	2,045,138	3,322,411
Employee loans	273,501	273,501
Related party receivable	5,625	14,156
Capital assets	468,630	291,516
Other assets	52,866	48,995
	\$ 2,845,760	\$ 3,950,579

LIABILITIES AND SHAREHOLDER'S EQUITY

Current		
Accounts payable and accrued liabilities	\$ 556,140	\$ 537,050
Current portion of obligations under capital leases	11,753	-
Total current liabilities	567,893	537,050
Obligations under capital leases	13,081	-
	580,974	537,050
Shareholders' equity		
Share capital	2,496,918	2,496,918
Special warrants	3,500,000	3,500,000
Deficit	(3,732,132)	(2,583,389)
	2,264,786	3,413,529
	\$ 2,845,760	\$ 3,950,579

Approved on behalf of the Board:

"D. Campbell Deacon" _____ Director

"J. Brian Aune" _____ Director

The accompanying notes are an integral part of these consolidated financial statements.

Azure Dynamics Corporation
(A Development Stage Enterprise)
Unaudited Consolidated Statements of Operations and Deficit

**For the Three Months Ended
September 30**

	2001	2000
Revenue		
Contract sales	\$ -	\$ 79,200
Other	30,291	518
	<u>30,291</u>	<u>79,718</u>
Cost of contract sales	<u>-</u>	<u>32,850</u>
	30,291	46,868
Expenses		
Research and development, net	581,625	131,318
General and administrative	508,329	57,523
Rent	53,834	21,347
Amortization	35,246	6,000
	<u>1,179,034</u>	<u>216,188</u>
Net loss for the period	(1,148,743)	(169,320)
Deficit, beginning of period	<u>(2,583,389)</u>	<u>(511,315)</u>
Deficit, end of period	\$ (3,732,132)	\$ (680,635)
Earnings per share*	\$ (0.05)	\$ (0.01)
Weighted average number of shares	24,649,009	13,572,300

* No fully diluted earnings per share have been disclosed, as these would be anti dilutive.

The accompanying notes are an integral part of these consolidated financial statements.

Azure Dynamics Corporation
(A Development Stage Enterprise)
Unaudited Consolidated Statements of Cash Flows

**For the Three Months Ended
September 30**

2001 2000

Cash flows from operating activities

Operations

Net loss for the period \$ (1,148,743) \$ (169,320)

Adjustment for:

Amortization 35,246 6,000

Changes in non-cash working capital

Items 109,359 15,236

(1,004,138) (148,084)

Cash flows from financing activities

Reduction in related party advance

8,531 61,105

Repayment on obligations under capital lease

(2,481) -

6,050 61,105

Cash flows from investing activities

Acquisition of capital assets

(136,571) (4,354)

Acquisition of intellectual properties

(3,971) -

(140,542) (4,354)

Decrease in cash and cash equivalents

(1,138,630) (91,333)

Cash and cash equivalents, beginning of period

2,859,452 97,692

Cash and cash equivalents, end of period

\$ 1,720,822 **\$ 6,359**

The accompanying notes are an integral part of these consolidated financial statements.

Three Months ended September 30, 2001 and 2000

1. Nature of Operations and Basis of Presentation

Azure Dynamics Corporation ("the Company") ("ADC") (formerly Wild Horse Resources Ltd.) is incorporated under the laws of Alberta. The Company was party to a reverse takeover transaction ("RTO") between ADC (the deemed acquiree) and Azure Dynamics Inc. ("ADI") (the deemed acquirer), effective April 24, 2001. The corporate structure is currently that ADI is the wholly owned subsidiary of ADC. ADI is incorporated under the laws of Canada. The reporting year-end for the consolidated entities is June 30.

The Company is a development stage enterprise, involved in developing hybrid electric vehicle control systems to be used in commercial vehicle applications. The Company has not yet determined the ultimate economic viability of the products under development. The Company is currently in the process of developing and testing its control systems. All costs incurred to date have been recorded as research and development expense. No revenue has been generated from the sale of its products to date.

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada for interim financial information, and on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. There are several development stages to be completed before the marketability, if any, of the Company's technology can be determined. While the Company has derived limited revenue from the performance of research and development projects for third parties, its ability to continue operations is uncertain and dependent upon the successful completion of technical development of the technology, obtaining additional financing and achieving profitable operations. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and liabilities that might be necessary should the Company be unable to continue in business.

The unaudited interim consolidated financial statements and notes do not include all disclosures required for annual statements and should be read in conjunction with the audited financial statements for the year ended June 30, 2001 included in the Company's Annual Report.

2. Significant Accounting Policies

The unaudited interim consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The accounting policies and methods of application used in preparation of these financial statements are consistent with the June 30, 2001 audited annual financial statements.

Three Months ended September 30, 2001 and 2000

3. Share Capital, Special Warrants and Stock Options

(a) Authorized

Unlimited Class A common shares without par value

Unlimited Class B common shares without par value, non voting

Unlimited Class C preferred shares without par value, non cumulative, redeemable, and non voting

(b) Issued and outstanding

Class A Common Shares

	Number of Common Shares	Amount
Balance, June 30, 2001	24,649,009	\$ 2,496,918
Issued during the quarter ended September 30, 2001	-	-
Balance, September 30, 2001	24,649,009	\$ 2,496,918

(c) Special Warrants

Special warrants issued for cash	\$ 3,600,000
Less estimated issuance costs	(100,000)
	\$ 3,500,000

On June 28, 2001 the Company completed a non brokered placement of 8,000,000 special warrants at a price of \$0.45 each for net proceeds of \$3,500,000 after deducting estimated issuance costs of \$100,000. Each special warrant entitles the holder to receive, at no additional cost, one Class A common share. Any unexercised warrants will be deemed to be exercised the earlier of (a) five (5) days following final receipt for a prospectus; and (b) June 8, 2002. As at September 30, 2001, 226,667 (November 29, 2001 – 524,444) of the special warrants are held by directors and officers of the Company. Subsequent to the quarter end, on November 9, 2001, the Company filed a preliminary prospectus to qualify 8,000,000 common shares issuable upon the exercise of the outstanding special warrants.

(d) Stock Options

In conjunction with the RTO, the Company received shareholders approval to adopt a Stock Option Plan (the "Plan"), for which up to 3,670,651 common shares can be reserved for issuance to executive officers and directors, employees and consultants. The exercise price of the options is determined by the Board of Directors estimate of the fair value of the common shares at the grant date. The options have a maximum term of five years and generally vest over a period of eighteen to twenty-four months.

As at September 30, 2001, the Company had 3,567,000 stock options outstanding under the Plan, of which 927,333 were exercisable, at a weighted average exercisable price of \$0.27 per common share. 3,140,000 of these stock options will expire on April 25, 2006, and the remaining 427,000 stock options will expire on August 20, 2006.

Azure Dynamics Corporation
(A Development Stage Enterprise)
Notes To Consolidated Financial Statements
(unaudited)

Three Months ended September 30, 2001 and 2000

3. Share Capital, Special Warrants, and Stock Options – cont'd

Stock option transactions for the quarter ended September 30, 2001 and the number of stock options outstanding are summarized as follows:

	Number of Optioned Common Shares #	Weighted Average Exercise Price \$
Balance, June 30, 2001	3,196,000	0.25
During the three months period ended September 30, 2001:		
Options granted	427,000	0.44
Options cancelled	(56,000)	0.25
Balance, September 30, 2001	3,567,000	0.27

250,000 Broker Financial Advisory Options were issued to the sponsor agent to acquire up to 250,000 Class A Common Shares in the Company at a price of \$0.25 per share on or before October 25, 2002. 178,000 of the options were exercised on May 2, 2001, with a balance of 72,000 unexercised options at September 30, 2001.

As at September 30, 2001 stock options outstanding are as follows:

Number of optioned common shares outstanding #	Exercise price \$	Expiry date	Number of optioned common shares exercisable #	Exercise price of options exercisable \$
3,140,000	0.25	April 25, 2006	785,000	0.25
427,000	0.44	August 20, 2006	142,333	0.44
72,000	0.25	October 25, 2002	72,000	0.25

4. Subsequent Events

- (a) On November 5, 2001, the Company issued 247,000 stock options exercisable at \$0.45 per share expiring on November 5, 2006.
- (b) The Company has filed a preliminary prospectus, dated November 9, 2001 to qualify 8,000,000 common shares issuable upon the exercise of the 8,000,000 issued and outstanding special warrants.
- (c) On November 26, 2001, the Company issued 112,000 stock options exercisable at \$0.50 per share expiring on November 26, 2006.

Research and Development Expenses

Breakdown by major category:

	Three Months ended September 30	
	2001	2000
Salaries & benefits	\$ 306,472	\$ 93,055
Consulting fees	81,615	18,033
Consumable supplies	99,250	15,506
Recruitment costs	59,824	-
Travel expenses	19,060	3,415
Miscellaneous costs	45,179	1,309
	<u>\$ 611,400</u>	<u>\$ 131,318</u>
Less: Eligible costs pursuant to government assistance programs	29,775	-
	<u>\$ 581,625</u>	<u>\$ 131,318</u>

General and Administrative Expenses

Breakdown by major category:

	Three Months ended September 30	
	2001	2000
Salaries & benefits	\$ 200,213	\$ 11,719
Consulting fees	97,151	17,548
Office supplies	7,836	752
Recruitment costs	47,964	-
Contract services	12,227	10,188
Travel expenses	50,516	2,479
Audit and tax services	-	4,000
Legal fees	33,655	2,000
Regulatory filing and transfer agent fees	4,685	-
Miscellaneous costs	54,082	8,837
	<u>\$ 508,329</u>	<u>\$ 57,523</u>