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News release via Canada NewsWire, Toronto 416-863-9350

Attention Business/Financial Editors:

Azure Dynamics reports third quarter results for period ending March 31, 2002

(Financial numbers are provided in Canadian dollars unless otherwise stated)

VANCOUVER, May 22 /CNW/ - Azure Dynamics Corporation (TSX Venture - AZD) a leading developer of hybrid electric smart energy management systems for commercial vehicles has announced its third 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 March 31, 2002, the Company incurred a net loss of \$1,505,418 or \$0.04 per share. This compares to a net loss for the same quarter of the preceding fiscal year of \$583,931 or \$0.03 per share. The increase in the deficit in the quarter ended March 31, 2002, compared to the quarter ended March 31, 2001, 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 meet the milestones it has established to ensure successful commercialization of its technology. In the period under review, the Company completed a further round of financing raising \$5.2 million, successfully concluded a six month period of in-service trials of its prototype hybrid electric vehicle with the Canada Post fleet, and commissioned independent economy and emissions tests on our prototype that validated the benefits of our technology."

On March 22nd, the company announced that independent trials, conducted by Independent Vehicle Testing Ltd. of Delta, British Columbia, on Azure's prototype hybrid-electric delivery van demonstrated an average fuel economy improvement of 129% when measured against the fuel economy of conventionally powered delivery vehicles. Emission tests of Azure's hybrid vehicle demonstrated 83%, 91%, and 53% reductions of hydrocarbons, carbon monoxide, and nitrous oxides respectively versus a conventionally powered delivery van.

Mr. Deacon further explained that on April 2nd, the company announced it had entered into a Research and Development agreement with the Government of Canada, through Technology Partnerships Canada, whereby the government will contribute towards specified research and development expenditures up to a maximum reimbursement of \$9 million. Technology Partnerships Canada, a key element in the federal government's innovation strategy, leverages private sector investments in research, development and innovation in critical, leading-edge technologies. The investment will help the company undertake further pre-commercialization research, development and testing of Azure's smart energy management systems and powertrains for hybrid electric vehicles.

Azure Dynamics Corporation is an innovative company that has developed proprietary hybrid electric vehicle technology for retrofit and new vehicle powertrains in the light and medium duty commercial vehicle categories. Azure's intellectual property combined with interchangeable, off-the-shelf components provides an affordable and effective solution for fleet managers in applications such as the postal and courier delivery fleets.

Azure's series hybrid vehicle technology is also a gateway to fuel cells becoming practical, both economically and operationally. A series hybrid system (battery plus fuel cell) enables a reduction in the size of the required fuel cell stack and also reduces power electronics complexity thereby lowering the cost of the total fuel cell system and also simplifying many application issues.

Detailed financial statements are available at the company's website --

/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 TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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Azure Dynamics Corporation
(A Development Stage Enterprise)

Consolidated Balance Sheets

As at	March 31 2002 (Unaudited)	June 30 2001 (Audited)	March 31 2001 (Unaudited)

ASSETS			
Current			
Cash and cash equivalents	\$ 3,520,811	\$ 2,859,452	\$ 634,868
Investment tax credits receivable	-	147,341	147,500
Accounts receivable	578,299	242,618	368,713
Prepaid expenses	73,833	73,000	204,857
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	4,172,943	3,322,411	1,355,938
Employee loans	266,357	273,501	-
Related party receivable	-	14,156	-
Capital assets	576,472	291,516	185,239
Other assets	97,944	48,995	56,252
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	\$ 5,113,716	\$ 3,950,579	\$ 1,597,429

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 522,668	\$ 537,050	\$ 231,874
Current portion of			

obligations under capital leases	12,789	-	-
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	535,457	537,050	231,874
Obligations under capital leases	6,466	-	-
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	541,923	537,050	231,874
Shareholders' equity			
Share capital	11,060,825	2,496,918	3,010,904
Special warrants	-	3,500,000	-
Deficit	(6,489,032)	(2,583,389)	(1,645,349)
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	4,571,793	3,413,529	1,365,555
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	\$ 5,113,716	\$ 3,950,579	\$ 1,597,429

 Approved on behalf of the Board:

"D. Campbell Deacon" Director

"J. Brian Aune" Director

Azure Dynamics Corporation
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Unaudited Consolidated Statements of Operations and Deficit

	Three Months Ended March 31		Nine Months Ended March 31	
	2002	2001	2002	2001
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Revenue				
Contract sales	\$ -	\$ 10,625	\$ -	\$ 95,450
Other	16,393	15,984	61,877	32,544
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	16,393	26,609	61,877	127,994
Cost of contract sales	-	829	-	37,794
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	16,393	25,780	61,877	90,200
Expenses				
Research and development,				

net	722,936	272,224	1,963,987	599,452
Selling and marketing	163,935	55,648	429,743	110,203
General and administrative	461,653	244,148	1,208,373	423,787
Rent	153,108	21,782	278,033	59,863
Amortization	20,179	15,909	87,384	30,929
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	1,521,811	609,711	3,967,520	1,224,234
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Net loss for the period	(1,505,418)	(583,931)	(3,905,643)	(1,134,034)
Deficit, beginning of period	(4,983,614)	(1,061,418)	(2,583,389)	(511,315)
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Deficit, end of period	\$ (6,489,032)	\$ (1,645,349)	\$ (6,489,032)	\$ (1,645,349)
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Loss per share (x)	\$ (0.04)	\$ (0.03)	\$ (0.14)	\$ (0.06)
Weighted average number of shares	34,328,753	23,079,140	27,835,839	19,082,801
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(x) No fully diluted earnings per share have been disclosed, as these would be anti dilutive.

Azure Dynamics Corporation
(A Development Stage Enterprise)

Unaudited Consolidated Statements of Cash Flows

	Three Months Ended March 31		Nine Months Ended March 31	
	2002	2001	2002	2001
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Cash flows from operating activities				
Operations				
Net loss for the period	\$ (1,505,418)	\$ (583,931)	\$ (3,905,643)	\$ (1,134,034)
Adjustment for:				
Amortization	20,179	15,909	87,384	30,929
Changes in non-cash				

working capital				
Items	(596,519)	(238,979)	(226,262)	(231,693)
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	(2,081,758)	(807,001)	(4,044,521)	(1,334,798)
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Cash flows from financing activities				
Issuance of common shares (net of costs)	5,058,907	35,875	5,063,907	2,334,106
Advance (repayment) to related party	-	(2,105)	14,156	3,790
Employee loans	7,144	-	7,144	-
Payment on obligations under capital leases	(2,861)	-	(8,061)	-
Issue (repayment) of long term debt	-	-	-	(50,000)
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	5,063,190	33,770	5,077,146	2,287,896
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Cash flows from investing activities				
Acquisition of capital assets	(70,479)	(37,310)	(324,082)	(159,175)
Acquisition of intellectual properties	(42,567)	(5,161)	(47,184)	(6,747)
Note receivable	-	-	-	(250,000)
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	(113,046)	(42,471)	(371,266)	(415,922)
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Increase (decrease) in cash and cash equivalents	2,868,386	(815,702)	661,359	537,176
Cash and cash equivalents, beginning of period	652,425	1,450,570	2,859,452	97,692
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Cash and cash equivalents, end of period	\$ 3,520,811	\$ 634,868	\$ 3,520,811	\$ 634,868
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(AZD.)

CO: Azure Dynamics Corporation
ST: British Columbia
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