



AZURE DYNAMICS REPORTS RESULTS FOR YEAR ENDED JUNE 30, 2002

Vancouver, British Columbia—September 26, 2002

[Azure Dynamics Corporation](#) ([TSX Venture – AZD](#)) a leading developer of hybrid electric systems for commercial vehicles has announced its year end results.

For the year ended June 30, 2002, the Company incurred a net loss of \$5,756,197 or \$0.18 per share. This compares to a net loss for the year ended June 30, 2001, of \$2,072,074 or \$0.10 per share. The increase in the deficit in 2002, compared to 2001, is attributable to the ongoing development of the Azure Smart Energy Management System for hybrid-electric vehicles.

Chairman and CEO, D. Campbell Deacon, stated, "In 2002, we advanced Azure's product and technology, strengthened our internal resources, and raised awareness of our Company and its Smart Energy Management System." He further explained that the potential of hybrid electric technology is increasingly becoming recognized as a practical, near-term and certainly intermediate term solution to many of the issues facing today's transportation industry.

Recent studies have shown serious health issues are arising as a result of urban ground level emissions. Azure has an economically viable solution that makes practical sense from both an environmental and a business perspective. Independent third party testing of Azure's technology shows reductions of up to 90% in emissions and up to 58% in fuel consumption – key concerns in the climate change debate.

"Our goal is to remain at the forefront of commercialization of hybrid technology, working closely with our strategic partners and customers to realize the full benefit of Azure's Smart Energy Management System," Mr. Deacon said. "We will continue to seek the support of the financial and investment community, our strategic and government partners, our employees, our Board of Directors and Azure's Advisory Board to achieve the economic success of our commercialization strategy."

Azure Dynamics Corp. 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 category. 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 stack and also allows much simpler power electronics thereby lowering the cost of the total fuel cell system and also simplifying many application issues.

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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

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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.

FOR MORE INFORMATION, CONTACT:

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

As at June 30	2002	2001
Assets		
Current		
Cash and cash equivalents	\$ 1,896,248	\$ 2,859,452
Investment tax credits receivable	-	147,341
Accounts receivable	68,327	167,393
Contributions receivable	567,626	75,225
Prepaid expenses	53,961	73,000
	<u>2,586,162</u>	<u>3,322,411</u>
Employee loans	259,214	273,501
Related party receivable	-	14,156
Capital assets	372,019	291,516
Other assets	97,005	48,995
	<u>2,586,162</u>	<u>3,322,411</u>
	\$ 3,314,400	\$ 3,950,579
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 442,625	\$ 537,050
Obligations under capital leases	13,748	-
	<u>456,373</u>	<u>537,050</u>
Obligations under capital leases	2,575	-
	<u>458,948</u>	<u>537,050</u>
Shareholders' equity		
Share capital	11,195,038	2,496,918
Special warrants	-	3,500,000
Deficit	(8,339,586)	(2,583,389)
	<u>2,855,452</u>	<u>3,413,529</u>
	\$ 3,314,400	\$ 3,950,579

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

	For the year ended June 30		Cumulative Since Inception
	2002	2001	
Revenue			
Contract sales	\$ -	\$ 95,450	\$ 258,066
Other	78,469	40,905	120,336
	78,469	136,355	378,402
Cost of contract sales	-	37,993	101,073
	78,469	98,362	277,329
Expenses			
Research and development, net	2,395,838	1,069,800	3,798,537
Selling and marketing	756,341	182,185	938,526
General and administrative	1,652,848	726,239	2,560,341
Rent	408,913	108,986	606,904
Amortization	163,061	83,226	254,942
	5,377,001	2,170,436	8,159,250
Net loss for the period before other items	(5,298,532)	(2,072,074)	(7,881,921)
Lease termination	457,665	-	457,665
Net loss for the period	(5,756,197)	(2,072,074)	(8,339,586)
Deficit, beginning of period	(2,583,389)	(511,315)	-
Deficit, end of period	\$(8,339,586)	\$(2,583,389)	\$(8,339,586)
Earnings per share *	\$ (0.18)	\$ (0.10)	
Weighted average number of shares	31,691,179	20,374,321	

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

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

	For the year ended June 30		Cumulative Since Inception
	2002	2001	
Cash flows from operating activities			
Operations			
Net loss for the period	\$(5,756,197)	\$(2,072,074)	\$(8,339,586)
Adjustment for:			
Amortization	163,061	83,226	254,942
Lease termination	457,665	-	457,665
Common shares issued in exchange for services	-	-	25,000
Changes in non-cash working capital items	(467,823)	54,931	(420,395)
	<u>(5,603,294)</u>	<u>(1,933,917)</u>	<u>(8,022,374)</u>
Cash flows from financing activities			
Issuance of common shares (net of costs)	5,078,120	2,094,693	7,824,608
Issuance of special warrants	-	3,500,000	3,500,000
Changes in related party advances	14,156	(10,366)	-
Repayment of obligations under capital lease	(10,993)	-	(10,993)
Repayment of long term debt	-	(50,000)	(50,000)
	<u>5,081,283</u>	<u>5,534,327</u>	<u>11,263,615</u>
Cash flows from investing activities			
Acquisition of capital assets	(392,616)	(302,769)	(760,536)
Acquisition of subsidiary	-	(249,610)	(249,610)
Acquisition of intellectual properties	(62,864)	(12,770)	(75,635)
Changes in loans to employees	14,287	(273,501)	(259,214)
	<u>(441,193)</u>	<u>(838,650)</u>	<u>(1,394,995)</u>
Increase (decrease) in cash and cash equivalents	(963,204)	2,761,760	1,896,246
Cash and cash equivalents, beginning of period	<u>2,859,452</u>	<u>97,692</u>	<u>2</u>
Cash and cash equivalents, end of period	\$1,896,248	\$2,859,452	\$1,896,248