



## News Release

### AZURE DYNAMICS REPORTS YEAR END 2003 RESULTS

Toronto, Ontario — March 19, 2004

[Azure Dynamics Corporation \(TSX Venture – AZD\)](#) (“Azure” or the “Company”) a leading developer of hybrid electric powertrains for commercial vehicles is pleased to announce its results for the year ended December 31, 2003.

“2003 was a challenging year for Azure. We nevertheless achieved a number of ground-breaking milestones confirming Azure’s status as a leader in hybrid electric systems for commercial vehicles,” said D. Campbell Deacon, Deputy Chairman and Chief Executive Officer of Azure. “We have secured in excess of \$20 million in financing in recent months enabling the company to focus on achievement of our 2004 milestone objectives which are predominantly related to the implementation of customer-specific deliverables,” he added.

For the year ended December 31, 2003, the Company incurred a net loss of \$3,832,824 (\$0.08) per share compared to a net loss of \$5,284,536 (\$0.13 per share) in 2002. Since inception, the Company has incurred a total loss of \$14,100,974. As the Company currently has no commercial revenues it mainly incurs costs to progress its development and commercialization plans. In the difficult market conditions of 2002 and 2003 the Company adopted a strategy of exercising tight constraint over development and overhead costs and solicited customer and sponsorship contributions to progress its key projects. Contributions from customers, sponsors and government funding (which are recorded as an offset to research and development expenses) are the most significant reason why the 2003 deficit was lower than 2002, despite more activity on the development front; contributions in 2003 approximated \$2.3 million, some \$1.5 million higher than in 2002.

The Company’s results, presented on a quarterly basis, are as follows:

	<b>Q4, 2003</b> <b>(Oct – Dec)</b>	<b>Q3, 2003</b> <b>(Jul – Sept)</b>	<b>Q2, 2003</b> <b>(Apr – Jun)</b>	<b>Q1, 2003</b> <b>(Jan – Mar)</b>
Revenue	\$ 23,993	\$ 9,540	\$ 7,674	\$ 6,176
Expenses	\$ (1,268,790)	\$ 1,239,669)	\$ (586,857)	\$ (784,891)
Net loss for the period	\$ (1,244,797)	\$ 1,230,129)	\$ (579,183)	\$ (778,715)
Loss per share	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.02)
Weighted average number of Shares	54,547,058	45,044,375	45,031,042	45,008,264

	<b>Q4, 2002 (Oct – Dec)</b>	<b>Q3, 2002 (Jul – Sept)</b>	<b>Q2, 2002 (Apr – Jun)</b>	<b>Q1, 2002 (Jan – Mar)</b>
Revenue	\$ 7,034	\$ 11,799	\$ 16,592	\$ 16,393
Expenses	\$ (862,066)	\$ (1,085,331)	\$ (1,409,481)	\$ (1,521,811)
Lease termination	\$ -	\$ -	\$ (457,665)	\$ -
Net loss for the period	\$ (855,032)	\$ (1,073,532)	\$ (1,850,554)	\$ (1,505,418)
Loss per share	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Weighted average number of Shares	43,682,571	43,555,999	43,308,430	34,328,753

The quarterly results vary significantly in accordance with the cost of program related product development and prototype build activities as offset by contributions by third parties. Ignoring the development costs/contributions, the underlying trend has been a reduction in overhead cost due to cost containment initiatives implemented in 2002, including the elimination of all non-core activities. The Company raised additional capital in December 2003 (supplemented by other government financing arrangements and a further equity financing in March 2004) and has recommenced the process of building the infrastructure required to support its ongoing and future operations; therefore costs are anticipated to grow in 2004 in preparation for the Company's commercial product launch.

**2003 highlights include the following:**

- April 2003 – entered into an agreement to in-service test five retrofitted Canada Post delivery vans utilizing Azure's hybrid electric powertrains. The vans will be utilized on regular Canada Post delivery routes and two more vans will undergo laboratory testing to validate their performance. This program, which is sponsored in part by EnCana Corporation, is in the build and post-build test phase;
- April 2003 – entered into an agreement with London Taxis International ("LTI") to re-power three London taxis with Azure's hybrid powertrain to demonstrate the commercial viability and performance advantages of the hybrid system in a taxi application. This program, which is sponsored in part by the Energy Savings Trust, an United Kingdom government entity, is in the build stage;
- April and November 2003 – the Company was contracted to conduct a feasibility study with respect to hybrid powertrains in military applications funded by the Canadian Department of National Defence; the project is in the final-reporting stage;
- May 2003 – entered into an agreement with LTI, to co-operate in the development and production of electric and hybrid electric delivery vehicles incorporating Azure's powertrain technology. This program, which is sponsored in part by the Energy Savings Trust, is in the pre-build phase;
- July, 2003 – the Company announced a strategic alliance with ZF Sachs AG, the powertrain and suspension components division of the ZF Group, for electric traction drive and generator technology adapted to Azure's hybrid electric smart energy management systems. Specific details of this arrangement are under consideration in current ongoing negotiations;
- July, 2003 – the Company completed a secured convertible debenture financing raising gross proceeds of \$2.21 million to provide it with funds for immediate liquidity and working capital requirements. In December 2003 all issued and outstanding convertible debentures were converted into common shares;
- September, 2003 – the Company entered into a supply agreement with Purolator Courier Ltd. whereby the Company will deliver 30 preproduction hybrid vehicles to Purolator and thereafter, subject to achievement of certain performance standards

and other contract provisions, up to 400 hybrid electric powered chassis per annum over a five-year period. This program is in the confirmation prototype phase;

- October 2003 – the Company entered into an agreement with the United States Postal Service whereby Azure will develop a prototype gas hybrid electric powertrain for their carrier route vehicle as well as a prototype diesel hybrid electric powertrain for their two-ton step van. This program is in the initial design, planning and engineering prototype phase;
- December 2003 – the Company completed a private placement generating gross proceeds of \$10.7 million.

Subsequent to the year end, in February 2004 the Company announced a demonstration agreement with Leyland Product Development and Zebra Batteries, whereby the parties, in cooperation with a European truck manufacturer, are developing an electric van for demonstration and marketing purposes. As a result of recent developments and initiatives, management considered it prudent to supplement the Company's cash reserves to facilitate the achievement of certain milestones in a timely manner, and therefore the Company completed an additional financing on March 10, 2004 raising gross proceeds of \$4.2 million.

[Azure Dynamics Corporation](#) is an innovative company that has developed proprietary hybrid electric vehicle technology for the light and medium duty commercial vehicle category. Azure was the recipient of the Canadian Energy Efficiency Award 2003 from Natural Resources Canada in the category of transportation (light duty commercial vehicles) and also received the 2002 Applied Energy Innovation Award from the Canadian Institute of Energy (BC).

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*The TSX Venture 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.

**FOR MORE INFORMATION, CONTACT:**

Greg Francis, Senior Vice-President, Finance and CFO (416) 367-0220 ext 110  
Email: [gfrancis@azuredynamics.com](mailto:gfrancis@azuredynamics.com)

Or Steven Glaser, Vice-President, Corporate Affairs (416) 367-0220 ext 105  
Email: [sglaser@azuredynamics.com](mailto:sglaser@azuredynamics.com)

Or visit the company's website at [www.azuredynamics.com](http://www.azuredynamics.com)

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

<b>As at</b>	<b>December 31 2003</b>	December 31 2002	June 30 2002
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 9,075,219	\$ 1,030,594	\$ 1,896,248
Accounts receivable	337,794	28,253	68,327
Contributions receivable	780,459	264,455	567,626
Prepaid expenses	61,655	13,320	53,961
	<b>10,255,127</b>	1,336,622	2,586,162
<b>Employee loans</b>	<b>91,727</b>	259,214	259,214
<b>Property and equipment</b>	<b>162,048</b>	276,036	372,019
<b>Other assets</b>	<b>117,279</b>	95,992	97,005
	<b>\$ 10,626,181</b>	\$ 1,967,864	\$ 3,314,400
<b>Liabilities and Shareholders' Equity</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 567,692	\$ 347,313	\$ 442,625
Obligations under capital leases	-	9,796	13,748
	<b>567,692</b>	357,109	456,373
<b>Obligations under capital leases</b>	<b>-</b>	-	2,575
	<b>567,692</b>	357,109	458,948
<b>Shareholders' equity</b>			
Share capital	23,991,665	11,788,905	11,195,038
Special warrants	-	90,000	-
Contributed surplus	167,798	-	-
Deficit	(14,100,974)	(10,268,150)	(8,339,586)
	<b>10,058,489</b>	1,610,755	2,855,452
	<b>\$ 10,626,181</b>	\$ 1,967,864	\$ 3,314,400

**Azure Dynamics Corporation**  
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**Consolidated Statements of Operations and Deficit**

	Years ended December 31		Six months ended December 31	Year ended June 30	Cumulative Since Inception
	<b>2003</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	
	(Unaudited)				
<b>Revenue</b>					
Contract sales	\$ -	\$ -	\$ -	\$ -	\$ 258,066
Other	<b>47,383</b>	51,818	18,833	78,469	186,551
	<b>47,383</b>	51,818	18,833	78,469	444,617
<b>Cost of contract sales</b>					
	-	-	-	-	101,073
	<b>47,383</b>	51,818	18,833	78,469	343,544
<b>Expenses</b>					
Research and development, net	<b>1,143,599</b>	1,845,360	690,574	2,395,838	5,632,710
Selling and marketing	<b>718,345</b>	772,737	320,904	756,341	1,977,775
General and administrative	<b>1,306,474</b>	1,665,759	708,432	1,652,848	4,575,247
Rent	<b>219,392</b>	401,230	117,239	408,913	943,534
Amortization of capital and other assets	<b>198,684</b>	193,603	110,248	163,061	563,874
Stock option compensation costs	<b>131,426</b>	-	-	-	131,426
Amortization of deferred financing costs	<b>88,143</b>	-	-	-	88,143
Accretion expense on convertible debentures	<b>74,144</b>	-	-	-	74,144
	<b>3,880,207</b>	4,878,689	1,947,397	5,377,001	13,986,853
<b>Net loss for the period before other items</b>					
	<b>(3,832,824)</b>	(4,826,871)	(1,928,564)	(5,298,532)	(13,643,309)
Lease termination	-	457,665	-	457,665	457,665
<b>Net loss for the period</b>					
	<b>(3,832,824)</b>	(5,284,536)	(1,928,564)	(5,756,197)	(14,100,974)
Deficit, beginning of period	<b>(10,268,150)</b>	(4,983,614)	(8,339,586)	(2,583,389)	-
<b>Deficit, end of period</b>					
	<b>\$ (14,100,974)</b>	\$ (10,268,150)	\$ (10,268,150)	\$ (8,339,586)	\$ (14,100,974)
<b>Earnings per share – basic *</b>					
	<b>(0.08)</b>	(0.13)	(0.04)	(0.18)	
<b>Weighted average number of shares – basic</b>					
	<b>47,425,079</b>	41,381,502	43,682,571	31,691,179	

\* No 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**

	Years ended December 31	2002	Six months ended December 31 2002	Year ended June 30 2002	Cumulative Since Inception
	<b>2003</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	
<b>Cash flows from operating activities</b>		(unaudited)			
Net loss for the period	<b>\$ (3,832,824)</b>	\$ (5,284,536)	\$ (1,928,564)	\$ (5,756,197)	\$ (14,100,974)
Adjustments for:					
Amortization of capital and other assets	<b>198,684</b>	193,603	110,248	163,061	563,874
Lease termination	-	457,665	-	457,665	457,665
Common shares issued in exchange for services	<b>25,000</b>	-	-	-	50,000
Stock option compensation expenses	<b>131,426</b>	-	-	-	131,426
Accretion expenses of convertible debenture	<b>74,144</b>	-	-	-	74,144
Amortization of deferred financing costs	<b>88,143</b>	-	-	-	88,143
Changes in non-cash working capital items	<b>(653,050)</b>	(669,504)	288,574	(467,823)	(784,871)
	<b>(3,968,477)</b>	(5,302,772)	(1,529,742)	(5,603,294)	(13,520,593)
<b>Cash flows from financing activities</b>					
Issuance of common shares (net of costs)	<b>9,952,940</b>	5,876,987	593,867	5,078,120	18,461,414
Issuance of special warrants (net of costs)	-	-	90,000	-	3,500,000
Convertible debentures funds received (net of costs)	<b>2,008,905</b>	-	-	-	2,008,905
Changes in related party advances	-	-	-	14,156	-
Repayment of obligations under capital lease	<b>(9,797)</b>	(12,321)	(6,527)	(10,993)	(27,316)
Repayment of long term debt	-	-	-	-	(50,000)
	<b>11,952,048</b>	5,864,666	677,340	5,081,283	23,893,003
<b>Cash flows from investing activities</b>					
Acquisition of capital assets	<b>(45,516)</b>	(138,408)	605	(392,616)	(805,447)
Acquisition of subsidiary	-	-	-	-	(249,610)
Acquisition of intellectual properties	<b>(60,467)</b>	(59,604)	(13,857)	(62,864)	(149,959)
Changes in loans to employees	<b>167,037</b>	14,287	-	14,287	(92,177)
	<b>61,054</b>	(183,725)	(13,252)	(441,193)	(1,297,193)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>8,044,625</b>	378,169	(865,654)	(963,204)	9,075,217
Cash and cash equivalents, beginning of period	<b>1,030,594</b>	652,425	1,896,248	2,859,452	2
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,075,219</b>	\$1,030,594	\$ 1,030,594	\$ 1,896,248	\$ 9,075,219

