



## News Release

### **AZURE DYNAMICS REPORTS ON PROGRESS AND RELEASES 2004 THIRD QUARTER RESULTS**

Toronto, Ontario – November 12, 2004

[Azure Dynamics Corporation](#) ([TSX – AZD](#) & [LSE - ADC](#)) (“Azure” or the “Company”) a leading developer of hybrid electric powertrains for commercial vehicles is pleased to announce its results for the three months ended September 30, 2004 (“quarter”).

“In the third quarter of 2004, Azure completed a major financing, securing access to approximately \$11.5 million in funds, and the Company’s shares and certain warrants were listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange in August 2004,” said Mr D. Campbell Deacon, Deputy Chairman and CEO. “From a financing and shareholder base perspective, our platform to grow the Company is in sound shape,” he added. “Our technical reputation has been enhanced by the positive reception of new products launched this year – the electric Renault Master in March 2004, the London black taxi in June 2004 and the all-electric eMercury launched in July 2004,” he stated. “Our immediate product focus has turned to the development work required to launch our first-to-market product, Azure’s G1 powertrain to be applied in the Purolator delivery van. Although there are always challenges to overcome to ensure the successful launch of a new product, we remain confident that our goal of full-scale production of the G1 product in 2005 will be achieved”.

Azure is developing its G1 and G2 series hybrid electric and all-electric powertrain technology for commercial vehicles and is evaluating several alternatives whereby it can develop an efficient and a cost effective parallel solution for this market to compliment its proven series technology. The goal is to have a broad product offering with which to satisfy the complete range of market demand for hybrid electric and electric commercial vehicles. The status of the Company’s various product programs is as follows:

#### G1 Powertrain

##### Base product - Purolator

- Main focus of the development team;
- Currently building confirmation prototypes;
- Initial delivery of 30 units to Purolator is anticipated to commence late 2004;
- Commercial production is expected to commence in the 2<sup>nd</sup> half of 2005.

##### Canada Post Program

- Seven trucks built;
- Operated thousands of kilometres in-service and testing;
- Recently upgraded to Nickel Metal Hydride batteries (product component shift by Azure to capture longer life benefits and performance enhancements from this technology).

#### eMercury (now "Modec")

- Two all-electric prototypes of the new ground-up designed delivery vehicles, powered with Azure's technology, launched in July 2004;
- Third prototype with G1 series hybrid powertrain completed in September 2004;
- Vehicles are being used for testing and customer demonstration purposes and have been driven for over eight thousand miles;
- In October 2004, LTI sold its interest in the eMercury program to Modec Ltd. – a UK company with access to the multi-million funding required to achieve commercial production;
- Commercial production of the all-electric version is expected to commence mid-2006;
- The vehicles were awarded the "Eco Van of The Year Award 2004" by What Van?, a United Kingdom publication, in October 2004.

#### G2 Powertrain

##### London Taxi

- The series hybrid black taxi was launched in June 2004;
- Two prototypes are undergoing tests and customer demonstrations, one in England and one in Canada;
- Initial modeling of the hybrid electric taxi indicates favourable economics;
- A third 'second-generation' taxi is in the planning and design stage with a view to determining timing of potential commercial development.

##### Renault Master

- The all-electric delivery Renault Master van, built in conjunction with Leyland Product Development and Renault Trucks UK, was launched in March 2004;
- The van is being used for customer demonstration purposes;
- This vehicle was awarded second place in the "Eco Van of The Year Award 2004" by What Van?.

#### Parallel Powertrain

- The G1 and G2 project for the development of a parallel HEV system for demonstration to the United States Postal Service is in the design and planning stage;
- Azure also expects to make its series hybrid technology available to USPS in the first quarter of 2005.

#### Statement of Operations Discussion

For the quarter ended September 30, 2004, the Company incurred a net loss of \$2,552,900 (\$0.03 per share) compared to a net loss of \$1,255,251 (\$0.03 per share) in 2003; for the nine months ended September 30, 2004 the cumulative net loss was \$5,469,449 (\$0.07 per share) compared to \$2,674,516 (\$0.06 per share) in 2003. The loss is higher in 2004, when compared to 2003, as the Company has increased its activity levels to progress its ongoing customer and development programs. Contributions from customers, sponsors and government funding, have helped offset the higher expenditure levels; contributions totalled \$2.0 million for the nine months ended September 30, 2004 compared to \$1.3 million for the comparable period in 2003.

The Company's interim financial statements and Management's discussion and analysis are available for inspection at [www.sedar.com](http://www.sedar.com) or on the Company's website. An extract of the interim financial statements is attached to this press release.

[Azure Dynamics Corporation](#) provides Hybrid Electric Vehicle technology for light and medium duty commercial vehicles in urban areas. Azure is a public company trading on both the TSX Exchange in Canada as well as the AiM market in London. The Company is currently working with various partners and customers worldwide including Purolator Courier Ltd., Canada Post, London Taxis International, Modec, Leyland Product Development, Renault Trucks UK and the United States Postal Service. Azure has employees based in North America and Europe.

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

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

<b>As at</b>	<b>September 30 2004 (Unaudited)</b>	<b>December 31 2003 (Audited)</b>	<b>September 30 2003 (Unaudited)</b>
	\$	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	9,032,576	9,075,219	1,320,724
Accounts receivable	268,422	337,794	155,499
Contributions receivable	842,224	780,459	-
Inventory and related prepayments	603,802	-	-
Prepaid expenses	343,595	61,655	20,003
Deferred financing costs	-	-	182,029
	<u>11,090,619</u>	<u>10,255,127</u>	<u>1,678,255</u>
<b>Employee loans</b>	-	91,727	107,799
<b>Deferred costs</b>	530,084	-	-
<b>Property and equipment</b>	509,696	162,048	184,665
<b>Other assets</b>	112,698	117,279	115,154
	<u>12,243,097</u>	<u>10,626,181</u>	<u>2,085,873</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	1,488,372	567,692	753,653
Convertible debentures	-	-	2,070,772
	<u>1,488,372</u>	<u>567,692</u>	<u>2,824,425</u>
<b>Shareholders' equity</b>			
Share capital	29,633,074	23,991,665	11,850,125
Special warrants	-	-	90,000
Convertible debentures	-	-	177,500
Contributed surplus	692,074	167,798	86,489
Deficit	(19,570,423)	(14,100,974)	(12,942,666)
	<u>10,754,725</u>	<u>10,058,489</u>	<u>(738,552)</u>
	<u>12,243,097</u>	<u>10,626,181</u>	<u>2,085,873</u>

\* Certain comparative numbers have been restated as described in Note 3(e).

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

	For the three months ended September 30		For the nine months ended September 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Revenue</b>				
Other	60,869	9,540	147,959	23,390
<b>Expenses</b>				
Research and development, net	1,333,797	703,418	2,212,635	1,058,864
Selling and marketing	454,844	140,862	1,189,914	434,627
General and administrative	579,767	250,756	1,694,426	834,667
Rent and ancillary	200,784	53,606	382,612	167,442
Amortization of property and equipment and other assets	44,577	43,924	137,821	130,081
Accretion expense on convertible debentures	-	32,272	-	32,272
Amortization of deferred financing costs	-	39,953	-	39,953
	<b>2,613,769</b>	1,264,791	<b>5,617,408</b>	2,697,906
<b>Net loss for the period</b>	<b>(2,552,900)</b>	(1,255,251)	<b>(5,469,449)</b>	(2,674,516)
Deficit, beginning of period	<b>(17,017,523)</b>	(11,687,415)	<b>(14,100,974)</b>	(10,268,150)
<b>Deficit, end of period</b>	<b>(19,570,423)</b>	(12,942,666)	<b>(19,570,423)</b>	(12,942,666)
<b>Loss per share - basic</b>	<b>(0.03)</b>	(0.03)	<b>(0.07)</b>	(0.06)
Weighted average number of shares - basic	<b>87,322,084</b>	45,044,375	<b>83,592,765</b>	45,024,998

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

\*\* Certain comparative numbers have been restated as described in Note 3(e).

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

	For the three months ended September 30		For the nine months ended September 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Net loss for the period	(2,552,900)	(1,255,251)	(5,469,449)	(2,674,516)
Adjustments for:				
Amortization of property and equipment and other assets	44,577	43,924	137,821	130,081
Common shares issued in exchange for services	-	6,250	27,500	18,750
Stock option compensation expense	126,153	25,122	467,718	86,489
Accretion expense on convertible debentures	-	32,272	-	32,272
Amortization of deferred financing costs	-	39,953	-	39,953
Changes in non-cash working capital items	(340,794)	(153,357)	42,545	(456,436)
	(2,722,964)	(1,261,087)	(4,793,865)	(2,823,407)
<b>Cash flows from financing activities</b>				
Issuance of common shares (net of costs)	2,648,298	36,220	7,072,826	36,220
Alternative Investment Market listing costs	(211,790)	-	(967,443)	-
Capital Assurance Agreement costs	(965,000)	-	(965,000)	-
Research and development sponsorship funds received	-	-	-	1,000,000
Convertible debentures funds received (net of costs)	-	1,994,019	-	1,994,019
Repayment of obligations under capital lease	-	(2,573)	-	(9,796)
	1,471,508	2,027,666	5,140,383	3,020,443
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(64,404)	(5,636)	(451,444)	(8,882)
Acquisition of other assets	(17,999)	(24,159)	(29,444)	(48,990)
Changes in loans to employees	-	150,966	91,727	150,966
	(82,403)	121,171	(389,161)	93,094
<b>Increase (decrease) in cash and cash equivalents</b>	(1,333,859)	887,750	(42,643)	290,130
Cash and cash equivalents, beginning of period	10,366,435	432,974	9,075,219	1,030,594
<b>Cash and cash equivalents, end of period</b>	9,032,576	1,320,724	9,032,576	1,320,724

\* Certain comparative numbers have been restated as described in Note 3(e).