



News Release

AZURE DYNAMICS RECEIVES FOLLOW-ON ORDER FROM SMITH ELECTRIC ON SUPPLY AGREEMENT

Toronto, Ontario – May 24, 2006 – Azure Dynamics Corporation (TSX: AZD & LSE: ADC) (“Azure” or the “Company”) a leading developer of hybrid electric and electric powertrains for commercial and military vehicles, today announced it has received another purchase order from Smith Electric Vehicles (“Smith”), part of The Tanfield Group Plc, for 20 electric powertrain systems.

This order follows-on to the 2005 supply agreement between Azure and Smith Electric Vehicles, whereby Azure would deliver up to one thousand complete electric powertrains. Each Azure electric powertrain system includes the drive, a power steering system, a system controller, a 12VDC supply, and other key driver interface components. Since the supply agreement was signed in July 2005, Azure has already provided Smith with 10 powertrain systems and has collaborated on building demonstration vehicles. Through product demonstration programs initial customer orders are now being received.

“We are very pleased with the progress we have made in working with Smith Electric Vehicles. This order highlights the success of Smith’s electric vehicle demonstration programs and the growing recognition of their products in the marketplace,” said Campbell Deacon, CEO of Azure Dynamics. “The feedback we have received from Smith’s on both the Faraday (their electric delivery vehicle) and their airport tugs has been exceptional both in terms of vehicle performance and customer cost benefits.”

Smith Electric Vehicles, through its parent The Tanfield Group Plc., have recently announced orders with TNT, the parcel delivery business, Sainsbury Plc, home shopping delivery and British Airport Authority, airport transit and transport usage.

About Smith Electric Vehicles

Smith Electric Vehicles is the world's oldest commercial electric vehicle manufacturer. Thanks to advances in technology, Smith’s “next generation” model, the zero emission Faraday, has a greatly increased top speed and range, making it ideal for the urban delivery market. For more company information please visit www.smithelectricvehicles.com.

About Azure Dynamics

[Azure Dynamics Corporation](http://www.azure-dynamics.com) is a world leader in the development and production of hybrid electric and electric commercial and military vehicles and systems. The group estimates it has over 25 million miles of vehicle experience. Azure Dynamics’ operations are based in North America and Europe.

Azure is currently working internationally with various partners and customers including Purolator Courier Ltd., Canada Post, United States Postal Service, Smith Electric Vehicles, Engineered Support Systems, Inc. and AM General LLC. Azure Dynamics Corporation is a

public company trading on the TSX ([TSX: AZD](#)) in Canada and on the AIM ([LSE: ADC](#)) in the UK. For more company information please visit www.azuredynamics.com.

The TSX and LSE Exchanges do not accept responsibility for the adequacy or accuracy of this release.

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