



News Release

AZURE DYNAMICS FORMALIZES SUPPLY CONTRACT WITH STARTRANS FOR HYBRID BUS PRODUCTION

Toronto, Ontario – August 17, 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 signed a definitive supply agreement for the production of hybrid shuttle buses with StarTrans, a business division of Supreme Corporation (AMEX: STS) and one of North America’s leading commercial bus manufacturers. The Companies had previously announced a Memorandum of Understanding (“MOU”).

Under terms of the agreement, Azure will provide StarTrans with hybrid cab-chassis on which StarTrans will assemble their shuttle bus body at their manufacturing facilities in Goshen, Indiana. StarTrans intends to utilize its HD Senator Series model line of shuttle buses. When fully assembled, the Azure/StarTrans hybrid electric shuttle bus will be compliant with the United States’ Buy-America program and after successful testing, would be eligible for the Federal Transit Administration’s funding for bus purchases.

“Our supply agreement with StarTrans represents a significant milestone for Azure Dynamics as we focus on increasing our penetration in the North American shuttle bus market. More than 10,000 shuttle buses are sold each year in North America and with federal and state funded subsidization programs available in the U.S. for shuttle bus operators that adopt environmentally cleaner hybrid solutions, this sector represents a compelling opportunity for both Azure and StarTrans,” said Campbell Deacon, CEO of Azure Dynamics. “We are very pleased to have such a strong partner in StarTrans and we look forward to bringing a hybrid HD Senator Series shuttle bus to market.”

“This hybrid electric shuttle bus will be the first available commercially-produced unit,” said Sam Craig, VP of Sales and Marketing of Startrans. “We have 38 distribution points around North America and we are excited about the potential for this product. We are looking forward to working with Azure Dynamics to market the CitiBus.”

Azure’s hybrid shuttle bus cab-chassis utilizes the same G1 Series hybrid delivery truck chassis currently in production and integrates Azure’s newly developed shuttle bus cab. Azure’s hybrid systems offer significant fuel and maintenance savings for shuttle bus operators. In testing, Azure’s hybrid delivery vans demonstrated nearly a 50% reduction in fuel consumption on a mile per gallon basis in city driving, compared to conventional chassis. Azure’s hybrid chassis also significantly reduce vehicular emissions, achieving reductions in hydrocarbon, carbon monoxide and nitrogen oxide emissions of up to 83%, 91% and 53% respectively. Azure and StarTrans plan to jointly market the hybrid shuttle bus via the StarTrans dealer and distributor network. The Company’s will commence jointly marketing the new hybrid shuttle bus at Bus-Con in Chicago in October 23-25th.

About StarTrans

Supreme Corporation's StarTrans Bus Division came into existence in 1983. Since then, StarTrans has grown to be one of the leaders in commercial bus manufacturing. StarTrans markets 32 models of transit and tour buses, with passenger capacities ranging from seven up to 42 and offers various wheelchair placements. StarTrans has two manufacturing facilities, one in Goshen, Indiana and the newest in Moreno Valley, California. The company is strongly committed to building quality products, having successfully completed commercial testing for 17 buses at the Federal Transit Administration's Altoona Bus Testing Center. StarTrans is an ISO 9001:2000 certified manufacturer. For more information, please visit www.startransbus.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 Company estimates it has more than 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, Workhorse Custom Chassis, DRS Sustainment Systems, Inc. and AM General LLC. Azure Dynamics Corporation is a public company trading on the TSX ([TSX: AZD](http://www.tsx.com)) in Canada and on the AIM ([LSE: ADC](http://www.lse.com)) in the UK. For more company information please visit www.azure-dynamics.com.

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

-30-

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 ON AZURE, CONTACT:

Steven Glaser, Vice-President, Corporate Affairs (416) 367-0220 ext 105

Email: sglaser@azure-dynamics.com