



News Release

AZURE DYNAMICS ANNOUNCES AGREEMENT WITH FORD MOTOR COMPANY

Toronto, Ontario – October 5, 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 an agreement with Ford Motor Company (NYSE: F) to enable Azure to develop a hybrid electric powertrain for Ford’s E-series commercial platform.

Azure is responsible for the development of the parallel hybrid electric gasoline system that will be applied to Ford’s E-series commercial vehicles. Azure will be the Vehicle Modifier and will complete the hybrid modification on the E-350 and E-450 commercial chassis. Ford, as the OEM of the incomplete commercial vehicles, will provide Azure with assistance to facilitate the development of the hybrid electric powertrain.

D. Campbell Deacon, Deputy Chairman and Chief Executive Officer of Azure Dynamics said, “We are very pleased to conclude this agreement which puts an Azure powertrain in an extremely popular commercial vehicle chassis and will have application in both the truck and bus markets. The agreement includes an intention for Azure to enter into a Ford Ship-Thru agreement which would allow the modified vehicles to be offered through the Ford distribution network. Ford has stated its desire to become a world leader in hybrid vehicle technology. We are excited to work on this product.”

[Azure Dynamics Corporation](#) 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](#)) 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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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@azuredynamics.com