



Azure Dynamics Announces Third Quarter 2008 Results

Oak Park, MI - November 11, 2008 - Azure Dynamics Corporation (TSX: AZD, LSE: ADC & OTCQX: AZDDF) - ("Azure" or the "Company"), a leading developer of hybrid electric and electric powertrains for commercial vehicles, today reported its third quarter financial results for the period ending September 30, 2008. The Company also provided an update on product development activities.

Third Quarter 2008 Highlights

- Completed private placement offering of \$25 million at a significant premium to market.
- Achieved new orders for Balance™ Hybrid Electric vehicles from Consolidated Edison in New York and from a leading national bakery company. These orders demonstrate the versatility of the Balance™ Hybrid Electric vehicles and their potential to infiltrate new markets.
- Achieved new orders from Buchy Food Service for the LEEP Freeze™ (Low Emission Electric Power) system to provide dependable power for transport refrigeration and cold storage product protection.
- Enrolled twelve new Balance™ Hybrid Electric Ford dealers to the Azure distribution network as part of the company's commitment to sign approximately 50 dealers in major metro markets.
- Shipped 27 Balance™ Hybrid Electric vehicles to our largest customer, Purolator, with the remainder of their 105-unit order expected to be shipped in the fourth quarter.
- Unveiled the Balance™ Hybrid Electric, the only hybrid electric shuttle bus that enables its owners to receive federal funding, to thousands of potential customers at the Bus Con Conference at Navy Pier in Chicago and at the American Public Transit Association in San Diego. Products received favorable response from shuttle bus industry attendees.

"Completing our private placement offering in the third quarter was a huge success, especially in light of unsettled market conditions," said Scott T. Harrison, Chief Executive Officer. "Product orders were about on pace with our expectations, but we were disappointed to receive a price increase on a key system component. We are aggressively evaluating alternatives to mitigate the impact of this increase as well as to ensure stable supply in order to support future product demand. We are confident that these measures will deliver strong benefit to the company and its customers in the future."

"Two major advantages for Azure Dynamics going forward are the continued and growing demand for green products that will position Azure technology as a high priority for our customers - people want what we have -- and the fact that we have launched product in the

marketplace and have extensive manufacturing experience that will enable us to continuously lower our product cost and improve the economics for our customer," Harrison said. "In addition, Azure's products offer fuel efficiency improvements that make them highly competitive against traditionally equipped powertrains and our customer support system is best-in-class."

Serge Viola, Director, National Fleet and Ground Line Haul for Purolator, said "We're delighted with our choice of the Azure Balance Hybrid Electric vehicle for our delivery fleet. We've just taken delivery of the latest version and it appears Azure keeps on getting better. They're helping us reduce operating costs by improving our fuel economy and up time and they're keeping us true to our corporate values as a company that cares and is proactively doing something about protecting the environment."

Product Developments

Series Hybrid Electric (G1):

- Purolator's fleet of 49 G1 hybrid vehicles has accumulated over 800,000 miles as of September 30, 2008. The vehicles are deployed in Montreal, Ottawa, Toronto and Vancouver. Eight of the 19 diesel hybrids have now surpassed three years in service, while the 30 G1 gas hybrids have exceeded a year and a half in service.
- As of September 30, 2008 the Company had shipped 16 of 59 G1 hybrid cab chassis cabs which were completed earlier in the year. G1 shuttle buses at BOEDC have been operating in New York for nine months.

Balance™ Hybrid Electric (P1):

- During the quarter, the Company completed the production launch phase of the main, Balance™ Hybrid Electric development program. As a part of the production launch within this quarter the Company commenced the build of 105 P1 Balance hybrid chassis for Purolator.
- The 20 pre-production step vans that were delivered to FedEx Express in California in the second quarter have now accumulated over 100,000 miles of revenue service.
- The 15 units delivered to AT&T in the second quarter have had their body builds completed and they entered service in September. The Balance™ Hybrid Electric shuttle bus will now be eligible for funding programs administered by the Federal Transit Administration (FTA) in the United States.
- The accelerated seven year Altoona durability test on the shuttle bus variant was also completed in September and the final report is anticipated to be issued in the fourth quarter, 2008.
- Four of the Balance™ Hybrid shuttle bus chassis' which were delivered last quarter

were completed into shuttle buses and displayed by the respective body builders at BusCon in Chicago in September. BusCon is the bus industry's premiere marketing event.

LEEP Freeze™ & LEEP Lift™ (Low Emission Electric Power):

- Azure and Kidron supported 12 fleet demonstrations including over a week trial in Phoenix during the month of August, where the LEEP Freeze™ system demonstrated its capability to effectively operate at temperatures above 100 degree F.
- The first demonstration LEEP Lift™ system was commissioned and tested during the third quarter and delivered to Altec for additional internal testing. The initial unit demonstrated up to a 30% fuel savings versus a conventionally equipped truck on a representative test cycle.

Force Drive™ (Electric Solutions):

- During the quarter, Azure continued the controlled production of its Force Drive™ systems planned for delivery against a 200 unit release within the supply agreement with Electro Autos of Mexico. Azure's scope of supply for the 1,000 Force Drive™ systems includes the motor, controller, gearbox and 12V converters.

Financial Results

Revenue for the third quarter of 2008 totaled \$1.3 million compared to \$1.5 million in the third quarter of 2007. For the nine months ended September 30, 2008, revenue totaled \$5.1 million compared to \$2.3 million in the same period a year ago. The lower revenue in the current quarter is primarily attributable to lower sales of the Azure CitiBus™ offset by higher sales of Azure's recently launched Balance™ Hybrid Electric product. The increase in revenue for the nine months ended September 30, 2008 was due to increased shipments of Balance™ Hybrid Electric, Azure CitiBus™ and Force Drive™ Electric products. Net loss for the third quarter of 2008 was \$8.3 million, or \$(0.03) cents per share, compared to a loss of \$8.5 million or \$(0.04) cents per share in the third quarter of 2007. Net loss for the nine months ended September 30, 2008 was \$24.3 million, or \$(0.08) per share, compared to a loss of \$21.9 million or \$(0.11) per share in the same period a year ago. The greater loss in both the quarter and year to date are primarily the result of increased engineering expenses and negative gross margin. Engineering expenses were higher as a result of the Company's ongoing technology development. Negative gross margin is attributable to production variances, increases in certain component costs and a write down of certain inventory to net realizable value.

Before contributions, the Company's engineering, operations and product development expenses for the quarter totaled \$4.9 million (including \$2.7 million in product development costs), compared to \$4.4 million for the same period in 2007 (including \$2.6 million in product development costs). For the first nine months of 2008, the Company's engineering and R&D expenses totaled \$15.5 million (including \$8.5 million in product development costs), compared to \$12.8 million in the same period of 2007 (including \$7.4 million in

product development expenses). During the third quarter the Company focused on the production and sale of its Balance™ Hybrid Electric program and its Force Drive™ Electric component development, as well as ongoing production activities associate with Azure CitiBus™.

As of September 30, 2008, the Company's net cash and cash equivalents totaled \$21.2 million, and working capital totaled \$33.6 million, compared to cash and cash equivalents of \$5.9 million, and working capital of \$11.5 million, as at September 30, 2007, and cash and cash equivalents of \$24.1 million, and working capital of \$32.3 million, as at December 31, 2007. The increase in cash inflows from the third quarter 2007 is mainly attributable to the private placement of 100,000,000 shares completed during the third quarter 2008 which resulted in net proceeds of approximately \$24.4 million.

The Company's fiscal 2008 third quarter financial statements and MD&A are available at www.sedar.com or on the Company's website at www.azuredynamics.com.

About Azure Dynamics

[Azure Dynamics Corporation \(TSX: AZD\) \(LSE: ADC\) \(OTCQX: AZDDF\)](http://www.azuredynamics.com) is a world leader in the development and production of hybrid electric and electric components and powertrain systems for commercial vehicles. Azure is strategically targeting the commercial delivery vehicle and shuttle bus markets and is currently working internationally with various partners and customers. The Company is committed to providing customers and partners with innovative, cost-efficient, and environmentally friendly energy management solutions.

For more 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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Forward-looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning Azure's business development strategy, projected commercial revenues and product deliveries.

The forward-looking statements are based on certain key expectations and assumptions made by Azure, including expectations and assumptions concerning achievement of current timetables for development programs, target market acceptance of Azure's products, current and new product performance, availability and cost of labour and expertise, and evolving markets for power for transportation vehicles. Although Azure believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Azure can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with Azure's early stage of development, lack of product revenues and history of losses, requirements for additional financing, uncertainty as to commercial viability, uncertainty as to product development and commercialization milestones being met, uncertainty as to the market for

Azure's products and unproven acceptance of Azure's technology, competition for capital, product market and personnel, uncertainty as to target markets, dependence upon third parties, changes in environmental laws or policies, uncertainty as to patent and proprietary rights, availability of management and key personnel, and acquisition integration risk. These risks are set out in more detail in Azure's annual information form which can be accessed at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and Azure undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

FOR MORE INFORMATION, CONTACT:

Ryan Carr, Chief Financial Officer (248) 298-2403

Email: rcarr@azuredynamics.com

Pat Liebler, Liebler!MacDonald, (313) 832-4376

Email: pat@lieblergroup.com