



News Release

AZURE DYNAMICS REPORTS RESULTS FOR THE FISCAL PERIOD ENDED DECEMBER 31, 2002

Vancouver, British Columbia—March 28, 2003

[Azure Dynamics Corporation \(TSX Venture – AZD\)](#) (“Azure”) a leading developer of hybrid electric powertrains for commercial vehicles has announced its results for the six months ended December 31, 2002. In December 2002, Azure changed its financial year end from June 30 to December 31 in order to harmonize its financial reporting requirements with internal operations and its industry sector; the results being presented are for the six-month stub period, July 1, 2002 to December 31, 2002, so as to bring the Company’s annual reporting in line with a December 31 reporting cycle.

For the six months ended December 31, 2002 (“2002”), the Company incurred a net loss of \$1,928,564 or \$0.04 per share compared to a net loss for the six months ended December 31, 2001 (“2001”), of \$2,400,225 or \$0.10 per share. The 2002 deficit is lower than the comparable period in 2001 mainly due firstly, to the impact of the Technology Partnerships Canada contribution agreement which provided \$264,455 (2001 - \$nil) towards development costs, and secondly, to the higher costs incurred in 2001 in respect of the Company’s conceptual prototype development and in-service trials as well as infrastructure growth.

[Azure Dynamics Corporation](#) is an innovative company that has developed proprietary hybrid electric vehicle technology for the light and medium duty commercial vehicle category. Azure’s intellectual property combined with specified components provides an affordable and effective solution for fleet managers in applications such as the postal and courier delivery fleets. Azure’s technology is also a gateway to fuel cells becoming a practical reality. Its series hybrid system enables a reduction in the size of the required fuel stack thereby lowering the cost and improving the reliability of the total fuel cell system.

Azure was the recipient of the Canadian Energy Efficiency Award 2003 from Natural Resources Canada in the category of transportation (light duty commercial vehicles) and also received the 2002 Applied Energy Innovation Award from the Canadian Institute of Energy (BC).

- 30 -

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

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.

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

As at	December 31 2002	June 30 2002	2001
Assets			
Current			
Cash and cash equivalents	\$ 1,030,594	\$ 1,896,248	\$ 2,859,452
Investment tax credits receivable	-	-	147,341
Accounts receivable	28,253	68,327	167,393
Contributions receivable	264,455	567,626	75,225
Related party receivable	-	-	14,156
Prepaid expenses	13,320	53,961	73,000
	<u>1,336,622</u>	<u>2,586,162</u>	<u>3,336,567</u>
Employee loans	259,214	259,214	273,501
Capital assets	276,036	372,019	291,516
Other assets	95,992	97,005	48,995
	<u>\$ 1,967,864</u>	<u>\$ 3,314,400</u>	<u>\$ 3,950,579</u>
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	\$ 347,313	\$ 442,625	\$ 537,050
Obligations under capital leases	9,796	13,748	-
	<u>357,109</u>	<u>456,373</u>	<u>537,050</u>
Obligations under capital leases	-	2,575	-
	<u>357,109</u>	<u>458,948</u>	<u>537,050</u>
Shareholders' equity			
Share capital	11,788,905	11,195,038	2,496,918
Special warrants	90,000	-	3,500,000
Deficit	(10,268,150)	(8,339,586)	(2,583,389)
	<u>1,610,755</u>	<u>2,855,452</u>	<u>3,413,529</u>
	<u>\$ 1,967,864</u>	<u>\$ 3,314,400</u>	<u>\$ 3,950,579</u>

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

	Six months ended December 31		Years ended June 30	
	2002	2001	2002	2001
	(unaudited)			
Revenue				
Contract sales	\$ -	\$ -	\$ -	\$ 95,450
Other	18,833	45,484	78,469	40,905
	<u>18,833</u>	<u>45,484</u>	<u>78,469</u>	<u>136,355</u>
Cost of contract sales	-	-	-	37,993
	<u>18,833</u>	<u>45,484</u>	<u>78,469</u>	<u>98,362</u>
Expenses				
Research and development, net	690,574	1,241,051	2,395,838	1,069,800
Selling and marketing	320,904	293,498	756,341	182,185
General and administrative	708,432	719,030	1,652,848	726,239
Rent	117,239	124,925	408,913	108,986
Amortization	110,248	67,205	163,061	83,226
	<u>1,947,397</u>	<u>2,445,709</u>	<u>5,377,001</u>	<u>2,170,436</u>
Net loss for the period before other items	(1,928,564)	(2,400,225)	(5,298,532)	(2,072,074)
Lease termination	-	-	457,665	-
Net loss for the period	(1,928,564)	(2,400,225)	(5,756,197)	(2,072,074)
Deficit, beginning of period	<u>(8,339,586)</u>	<u>(2,583,389)</u>	<u>(2,583,389)</u>	<u>(511,315)</u>
Deficit, end of period	\$ (10,268,150)	\$(4,983,614)	\$(8,339,586)	\$(2,583,389)
Earnings per share *	(0.04)	(0.10)	(0.18)	(0.10)
Weighted average number of shares	43,682,571	24,654,188	31,691,179	20,374,321

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

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

	Six months ended December 31		Years ended June 30	
	2002	2001	2002	2001
	(unaudited)			
Cash flows from operating activities				
Operations				
Net loss for the period	\$ (1,928,564)	\$ (2,400,225)	\$ (5,756,197)	\$ (2,072,074)
Adjustment for:				
Amortization	110,248	67,205	163,061	83,226
Lease termination	-	-	457,665	-
Common shares issued in exchange for services	-	-	-	-
Changes in non-cash working capital items	288,574	370,257	(467,823)	54,931
	(1,529,742)	(1,962,763)	(5,603,294)	(1,933,917)
Cash flows from financing activities				
Issuance of common shares (net of costs)	593,867	5,000	5,078,120	2,094,693
Issuance of special warrants (net of costs)	90,000	-	-	3,500,000
Changes in related party Advances	-	14,156	14,156	(10,366)
Repayment of obligations under capital lease	(6,527)	(5,200)	(10,993)	-
Repayment of long term debt	-	-	-	(50,000)
	677,340	13,956	5,081,283	5,534,327
Cash flows from investing activities				
Acquisition of capital assets	605	(253,603)	(392,616)	(302,769)
Acquisition of subsidiary	-	-	-	(249,610)
Acquisition of intellectual Properties	(13,857)	(4,617)	(62,864)	(12,770)
Changes in loans to Employees	-	-	14,287	(273,501)
	(13,252)	(258,220)	(441,193)	(838,650)
Increase (decrease) in cash and cash equivalents	(865,654)	(2,207,027)	(963,204)	2,761,760
Cash and cash equivalents, beginning of period	1,896,248	2,859,452	2,859,452	97,692
Cash and cash equivalents, end of period	\$ 1,030,594	\$ 652,425	\$ 1,896,248	\$ 2,859,452