



News Release

AZURE DYNAMICS ANNOUNCES COMPLETION OF \$2.21 MILLION FINANCING

Vancouver, British Columbia—August 1, 2003

[Azure Dynamics Corporation](#) (TSX Venture – AZD) (“Azure”) a leading developer of hybrid electric powertrains for commercial vehicles is pleased to announce the completion of its previously announced financing of \$2.21 million in secured convertible debentures (“Debentures”), of which proceeds \$1.0 million is immediately available to the company. Of the balance of the proceeds, \$0.25 million is held in escrow until Azure obtains reporting issuer status under Quebec securities legislation, and \$0.96 million is held in escrow, subject to release on September 15, 2003 pending satisfaction of certain conditions including the receipt of a third party consent, for which verbal consent has already been received. These financing arrangements have provided Azure with the funds needed for immediate liquidity and working capital requirements and the proceeds will be used towards ongoing operations and to progress Azure’s current commercialization activities.

The Debentures have a one year term, maturing June 30, 2004 and are secured by general security over all the property of the Company and a share pledge of 100% of the equity of the Company’s wholly owned subsidiary, Azure Dynamics Inc. (the “Sub”).

For debenture holders resident in British Columbia, Alberta, Ontario and offshore, the hold period on resale of the Debentures and the underlying shares expires November 30, 2003. For debenture holders resident in Quebec, the hold period on resale of the Debentures and the underlying shares is indefinite. However, Azure is seeking reporting issuer status in Quebec.

On closing, Mr. David Deacon resigned from the Board to accommodate representation on the Board by two nominees from the lending group, Robert Donaldson and Charles Howard, who were appointed to the Board.

Two current directors of the Company acquired indirect interests in the Debentures on closing; namely, Mr. Thomas N. Davidson Sr. who will indirectly acquire an interest in \$100,000 of Debentures, and Mr. J. Brian Aune, who will indirectly acquire an interest in \$156,000 of Debentures. Approximately 28% of the financing has been provided by new investors who are not already shareholders, directors or officers.

In conjunction with this financing, the Company has filed with the TSX Venture Exchange a Filing Statement, which is available on SEDAR at www.sedar.com.

[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 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).

The TSX Venture Exchange 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.

FOR MORE INFORMATION, CONTACT:

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