



News Release

Azure Dynamics Announces Amendments to Financings

Toronto, Ontario - July 06, 2004

[Azure Dynamics Corporation](#) ("Azure" or the "Company") ([TSX: AZD](#)), a leading developer of hybrid electric powertrains for commercial vehicles announced today proposed amendments to certain financing initiatives currently in process in both Canada and the United Kingdom and the coincidental secondary listing of its common shares on the Alternative Investment Market ("AIM") of the London Stock Exchange.

D. Campbell Deacon, Deputy Chairman and CEO, stated, "The Board of Directors of Azure is pleased to announce amended terms to its proposed financing arrangements that provide the Company with sufficient working capital and at the same time avoid the potential consequence of excessive dilution that we have encountered in the prevailing market. The Company will be reducing the size of its Canadian common share offering from \$10 million to approximately \$3 million and will, subject to receipt of regulatory approval, be replacing the £10 million UK common share offering with an arrangement whereby the Company is guaranteed to receive, by December 2, 2004, no less than \$8.5 million in respect of its 11,966,060 outstanding common share purchase warrants and its 2,245,508 outstanding agent compensation options. Collectively, the revised Canadian offering and UK guarantee arrangement are anticipated to result in aggregate new capital of approximately \$11.5 million by December 15, 2004 which would satisfy the working capital requirements of the Company through to the end of December, 2005 and also satisfy the working capital requirements established by AIM as a condition of listing."

Mr. Deacon added, "The new financing arrangements will allow Azure to strengthen its balance sheet and continue to pursue its milestones, including the commencement of commercial production in 2005, with confidence and to ensure Azure's continued eligibility for up to \$3 million of previously announced Technology Partnership Canada ("TPC") funding, subject to TPC conditions. "

Under the amended terms of the Canadian offering, the Company expects to receive gross proceeds of approximately \$3 million from the issue of up to 3,333,333 million units, at a price of \$0.90 per unit. Each unit will be comprised of one common share and one fifth of a common share purchase warrant, each whole warrant being exercisable into one common share at a price of \$1.10 for a period of one year.

Under the terms of the proposed guarantee arrangement, the Company expects to be guaranteed gross proceeds of \$8.5 million in respect of its issued and outstanding common share purchase warrants and compensation options. The proposed terms of the guarantee arrangement provide that a syndicate of guarantors will irrevocably covenant to collectively subscribe for common shares of the Company, at a price of \$0.60 per share (being the weighted

average exercise price of the issued and outstanding common share purchase warrants and compensation options), to the full extent that any of the currently issued and outstanding common share purchase warrants and compensation options are not exercised on or before their December 1, 2004 expiry date. In consideration of providing such a guarantee, the guarantors will be paid a cash fee of \$510,000 upon execution of the agreement memorializing the arrangement and a further \$255,000 on December 15, 2004. In addition, each guarantor will receive one fifth of a common share purchase warrant for each dollar of subscription money guaranteed, each whole warrant being exercisable into one common share at \$1.10 per share for a period of one year.

The proposed amendments are subject to receipt of all necessary regulatory approvals, including that of the Toronto Stock Exchange. The Company intends to forthwith file an amendment to its preliminary prospectus filed on June 13, 2004 in connection with the Canadian offering that reflects the proposed amendments to its financing initiatives.

[Azure Dynamics Corporation](#) provides Hybrid Electric Vehicle technology for light and medium duty commercial vehicles in urban areas. Azure is a public company trading on the Canadian TSX Exchange. The company is currently working with various partners and customers worldwide including Purolator Courier, Canada Post, London Taxis International, Leyland Product Development, Renault Trucks UK, and the United States Postal Service. Azure has employees based in Canada, the United States and the United Kingdom.

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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, CONTACT:

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