



## News Release

### AZURE DYNAMICS REPORTS YEAR END 2004 RESULTS

Toronto, Ontario — March 24, 2005

[Azure Dynamics Corporation](#) ([TSX – AZD](#) & [LSE - ADC](#)) (“Azure Dynamics” or the “Company”) a leading developer of hybrid electric and electric powertrains for commercial and military vehicles announces its results for the year ended December 31, 2004.

Selected Annual Information:

Years ended	December 31, 2004	December 31, 2003	December 31, 2002
Revenue	\$ 207,852	\$ 47,383	\$ 51,818
Net loss	\$ 8,198,393	\$ 3,832,824	\$ 5,284,536
Net loss per share	\$ 0.10	\$ 0.08	\$ 0.13
Total assets	\$ 17,813,280	\$ 10,626,181	\$ 1,967,864

For the year ended December 31, 2004, the Company incurred a net loss of \$8,198,393 (\$0.10 per share) compared to a net loss of \$3,832,824 (\$0.08 per share) in 2003 representing the cost of developing its technology. Since inception, the Company has incurred a total loss of \$22.3 million.

As the Company currently has no commercial revenues it mainly incurs costs to progress its product development and commercialization plans – the investment is charged to the profit and loss account as incurred in accordance with Canadian accounting standards.

The net loss is higher in 2004, when compared to 2003, as the capital raised through financings has enabled the Company to increase its activity levels in 2004. Research and development expenditure has increased from 2003 due to the larger number of ongoing customer and development programs as well as the increase in staff levels required to support the program deliverables and related pre-commercialization activity.

Contributions from customers, sponsors and government funding of \$2.5 million in 2004 (2003 - \$2.3 million) have partially offset the higher research and development investment. Selling and marketing costs as well as general and administrative costs have also increased, generally due to the expanded infrastructure, increased headcount and increased sales, marketing and financing activity.

“2004 marked the transition of Azure Dynamics from a research and development Company to a commercial enterprise with the launch of the Company’s initial product which will see vehicles powered by Azure Dynamics hybrid electric powertrains on the

road in 2005,” said D. Campbell Deacon, Deputy Chairman and Chief Executive Officer.

“This past year included a number of significant challenges both operationally and financially. Our team of focused executives and dedicated technical staff handled these challenges competently and successfully, resulting in the Company emerging as a world leader in hybrid electric and electric powertrain technology for commercial and military vehicles”.

“Azure Dynamics is now well positioned to generate significant revenues through the delivery of a variety of hybrid electric and electric products to numerous customers in North America, the UK and Europe”.

“In addition,” he stated, “we have recently begun exploring opportunities in south east Asia and in China with our new shareholder, Singapore Technologies Kinetics.”

Selected Quarterly information:

	<b>Q4, 2004 (Oct – Dec)</b>	<b>Q3, 2004 (Jul – Sept)</b>	<b>Q2, 2004 (Apr – Jun)</b>	<b>Q1, 2004 (Jan – Mar)</b>
Revenue	\$ 59,893	\$ 60,869	\$ 47,417	\$ 39,673
Expenses	\$ (2,788,837)	\$ (2,613,769)	\$ (1,757,113)	\$ (1,246,526)
Net loss for the period	\$ (2,728,944)	\$ (2,552,900)	\$ (1,709,696)	\$ (1,206,853)
Loss per share	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.02)
Weighted average number of Shares	94,229,512	87,322,084	84,032,618	79,525,744

	<b>Q4, 2003 (Oct – Dec)</b>	<b>Q3, 2003 (Jul – Sept)</b>	<b>Q2, 2003 (Apr – Jun)</b>	<b>Q1, 2003 (Jan – Mar)</b>
Revenue	\$ 23,993	\$ 9,540	\$ 7,674	\$ 6,176
Expenses	\$ (1,182,302)	\$ (1,264,791)	\$ (603,531)	\$ (829,583)
Net loss for the period	\$ (1,158,309)	\$ (1,255,251)	\$ (595,857)	\$ (823,407)
Loss per share	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.02)
Weighted average number of Shares	54,547,058	45,044,375	45,031,042	45,008,264

In December 2003 the Company secured its first significant funding which enabled it to progress its commercialization plans at a more rapid but still cautious pace. The expenditure levels increased progressively in 2004 indicative of the resultant availability of resources and higher investment levels. This trend is expected to continue in 2005 as investment requirements increase due to the incremental impact of resources added throughout 2004 and further planned increases required to achieve the successful commercial launch of the Company’s products. The impact of the Solectria acquisition will result in revenues and expenses with effect from February 1, 2005.

Expenses are \$1,606,535 higher in the fourth quarter of 2004 compared to the fourth quarter in 2003. As explained above, the ramp-up in our investment in engineering and other commercialization activities only commenced with effect from December 2003 and therefore the cost of advancing the technology is higher in 2004. Also, the 2003

comparative number was reduced by approximately \$1 million in customer and government contributions whereas the offsetting contributions were approximately \$0.5 million in 2004 – the higher 2003 contribution number was due to claims under an active customer project at that time as well as the recognition of a backlog of Technology Partnerships Canada claims that became realisable in the quarter as a result of the December 2003 financing.

[Azure Dynamics Corporation](#) and its group of companies is a world leader in the development and production of hybrid electric and electric commercial and military vehicles and systems. The group estimates it has over 25 million miles of vehicle experience. Azure Dynamics' operations are based in North America and Europe.

Azure Dynamics is currently working internationally with various partners and customers including Purolator Courier Ltd., Canada Post, DHL, London Taxis International, US Department of Defence, Leyland Product Development, Renault Trucks UK and the United States Postal Service. Azure Dynamics Corporation is a public company trading on the TSX (AZD) in Canada and on AIM (ADC) in the UK. For more company information please visit our website at [www.azuredynamics.com](http://www.azuredynamics.com).

*The TSX Exchange does 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.

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

<b>As at</b>	<b>December 31 2004</b>	<b>December 31 2003</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4)	14,312,708	9,075,219
Accounts receivable	211,459	337,794
Contributions receivable (Note 12)	996,328	780,459
Inventory and related prepayments (Note 5)	1,199,078	-
Prepaid expenses	284,155	61,655
	<b>17,003,728</b>	<b>10,255,127</b>
Employee loans	-	91,727
Property and equipment (Note 6)	538,972	162,048
Other assets (Note 7)	270,580	117,279
	<b>17,813,280</b>	<b>10,626,181</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	1,697,306	567,692
<b>Shareholders' equity</b>		
Share capital (Note 10)	37,693,509	23,991,665
Contributed surplus (Note 10(f))	721,832	167,798
Deficit	(22,299,367)	(14,100,974)
	<b>16,115,974</b>	<b>10,058,489</b>
	<b>17,813,280</b>	<b>10,626,181</b>

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

	For the years ended December 31		Cumulative Since Inception
	2004	2003	
	\$	\$	
<b>Revenue</b>			
Contract sales	-	-	258,066
Other	<b>207,852</b>	47,383	394,403
	<b>207,852</b>	47,383	652,469
<b>Cost of contract sales</b>	-	-	101,073
	<b>207,852</b>	47,383	551,396
<b>Expenses</b>			
Research and development, net	<b>3,460,730</b>	1,173,994	9,123,835
Selling and marketing	<b>1,720,148</b>	751,282	3,730,860
General and administrative	<b>2,395,411</b>	1,374,568	7,038,752
Rent and ancillary	<b>559,483</b>	219,392	1,503,017
Amortization of property and equipment and other assets	<b>270,473</b>	198,684	834,347
Accretion expense on convertible debentures	-	74,144	74,144
Amortization of deferred financing costs	-	88,143	88,143
	<b>8,406,245</b>	3,880,207	22,393,098
<b>Net loss for the period</b>	<b>(8,198,393)</b>	(3,832,824)	(21,841,702)
<b>Exceptional items</b>			
Lease termination	-	-	457,665
<b>Net loss for the period after exceptional items</b>	<b>(8,198,393)</b>	(3,832,824)	(22,299,367)
Deficit, beginning of period	<b>(14,100,974)</b>	(10,268,150)	-
<b>Deficit, end of period</b>	<b>(22,299,367)</b>	(14,100,974)	(22,299,367)
<b>Loss per share - basic *</b>	<b>(0.10)</b>	(0.08)	
Weighted average number of shares - basic	<b>86,253,914</b>	47,425,079	

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

**Azure Dynamics Corporation**  
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**Consolidated Statements of Cash Flows**

	For the years ended December 31		Cumulative Since Inception
	2004	2003	
	\$	\$	
<b>Cash flows from operating activities</b>			
Net loss for the period	<b>(8,198,393)</b>	(3,832,824)	(22,299,367)
Adjustments for:			
Amortization of property and equipment and other assets	<b>270,473</b>	198,684	834,347
Lease termination	-	-	457,665
Common shares issued in exchange for services	<b>27,500</b>	25,000	77,500
Stock option compensation expense	<b>497,476</b>	131,426	628,902
Accretion expense on convertible debentures	-	74,144	74,144
Amortization of deferred financing costs	-	88,143	88,143
Changes in non-cash working capital items (Note 14)	<b>(381,498)</b>	(653,050)	(1,166,819)
	<b>(7,784,442)</b>	(3,968,477)	(21,305,485)
<b>Cash flows from financing activities</b>			
Issuance of common shares (net of costs)	<b>15,695,658</b>	9,952,940	34,157,072
Alternative Investment Market listing costs	<b>(999,756)</b>	-	(999,756)
Capital Assurance Agreement costs	<b>(965,000)</b>	-	(965,000)
Convertible debentures funds received (net of costs)	-	2,008,905	2,008,905
Issuance of special warrants	-	-	3,500,000
Repayment of obligations under capital lease	-	(9,797)	(27,316)
Repayment of long term debt	-	-	(50,000)
	<b>13,730,902</b>	11,952,048	<b>37,623,905</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	<b>(597,698)</b>	(45,516)	(1,403,145)
Acquisition of subsidiary	-	-	(249,610)
Acquisition of other assets	<b>(203,000)</b>	(60,467)	(352,959)
Repayment of loans from employees	<b>91,727</b>	167,037	-
	<b>(708,971)</b>	61,054	(2,005,714)
<b>Increase in cash and cash equivalents</b>	<b>5,237,489</b>	8,044,625	14,312,706
Cash and cash equivalents, beginning of period	<b>9,075,219</b>	1,030,594	2
<b>Cash and cash equivalents, end of period</b>	<b>14,312,708</b>	9,075,219	14,312,708