



News Release

AZURE DYNAMICS ANNOUNCES MEMORANDUM OF UNDERSTANDING WITH KIDRON FOR UNDER-THE-HOOD POWER SYSTEMS

Toronto, Ontario – September 12, 2006 – Azure Dynamics Corporation (TSX: AZD & LSE: ADC) (“Azure” or the “Company”), a leading developer of hybrid electric and electric powertrains for commercial and military vehicles, today announced it has signed a Memorandum of Understanding (MOU) with the Kidron division of VT Specialized Vehicles Corporation (VT SVC). The MOU is for the branding, marketing and sale of Azure’s Under-the-Hood (UTH) system throughout the North American refrigerated truck body segment.

The UTH system was developed for the DRS Sustainment program, formerly EASI, (see press releases October 11, 2005 and July 19, 2006) for which Azure has now received CDN\$19 million in orders. Under the proposed terms of the MOU, Azure will provide Kidron the UTH system for commercial truck markets and Kidron will integrate the systems into its trucks and truck bodies for refrigeration units. Kidron will market this product through Kidron’s sales team and distributors across North America.

Azure’s UTH system delivers significant improvements in fuel utilization and emission levels. Its hybrid technology stores energy in Kidron’s cold plate refrigeration system when the engine is running. When the engine is off, the stored energy is used to maintain refrigeration temperatures. The UTH is also a natural anti-idle system. Stationary engine run-time can be improved by approximately 95% compared to conventional systems. Kidron’s cold plate technology provides excellent energy storage capability and quieter operations at delivery sites over engine driven refrigeration systems.

About VT Specialized Vehicles Corporation

VT Specialized Vehicles Corporation (VT SVC), a company of VT Systems (VTS), is the leading manufacturer in North America for specialized truck bodies and trailers that services the multi-stop food and beverage service distributors and municipal emergency rescue departments. Its two divisions, Hackney and Kidron, specialize in beverage truck bodies and trailers, emergency rescue bodies and trailers, special application truck bodies and multi-temperature refrigerated truck bodies and trailers. Kidron’s innovative use of construction techniques and materials that result in the lightest possible weight underscores its strong track record for the production of refrigerated bodies, dry freight truck bodies, cutaway dry freight bodies and service bodies. Headquartered in Kidron, Ohio, Kidron provides fast, efficient service to a nationwide customer base through a network of dedicated distributors and manufacturing facilities in Lakeland, Florida; Tulare, California; and Montgomery, Pennsylvania. Please visit www.vtsvc.com.

About Azure Dynamics Corporation

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

Azure is currently working internationally with various partners and customers, including Purolator Courier Ltd., Canada Post, United States Postal Service, Smith Electric Vehicles, Workhorse Custom Chassis, StarTrans, DRS Sustainment Systems, Inc. and AM General LLC. Azure Dynamics Corporation is a public company trading on the TSX ([TSX: AZD](#)) in Canada and on the AIM ([LSE: ADC](#)) in the UK.

For more Company 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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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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