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Azure Dynamics Announces Filing of a Preliminary Short Form Prospectus for an Offering of Common Shares

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Toronto, Ontario - November 1, 2006 - Azure Dynamics Corporation (TSX: AZD & LSE: ADC) ("Azure" or the "Company") today announced the filing of a final short form prospectus in each of the Provinces of Ontario, British Columbia, Alberta and Québec in connection with the previously announced marketed short form prospectus offering of the Company (the "Offering").

Clarus Securities Inc. and Paradigm Capital Inc. are acting as co-lead underwriters in connection with the Offering. Pursuant to the Offering, the Company has agreed to issue and sell 31,176,471 common shares at a price of CDN\$0.85 per common share, for aggregate gross proceeds of CDN\$26,500,000. The underwriters have also been granted an option to purchase up to an additional 3,117,647 common shares for market stabilization and over-allotment purposes. This option may be exercised in whole or in part until 30 days after the closing of the Offering.

The Company also intends to complete a £1,724,000 (approximately CDN\$3,670,000) brokered private placement offering of 4,310,000 common shares in the United Kingdom at a price of £0.40 (CDN\$0.85) per common share, expected to close contemporaneously with the Offering (the "UK Offering"). Numis Securities Limited has been retained as Azure's agent in connection with the UK Offering. Completion of the UK Offering will be contingent upon completion of the Offering.

Both the Offering and the UK Offering are expected to close on or about November 7, 2006. The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the Toronto Stock Exchange ("TSX") and the Alternative Investment Market of the London Stock Exchange ("AIM").

Campbell Deacon, Deputy Chairman and CEO of Azure said, "We are pleased by the positive investor response to our previously announced equity offering. This significant cash infusion will position the Company to aggressively pursue its growth objectives with currently launched products as well as through its recently announced programs with Ford and StarTrans. In addition, the strengthening of Azure's balance sheet will assist the Company in its search for an appropriate strategic partner who can contribute to the Company's revenue growth."

The Company plans to use the net proceeds of the Offering and the UK Offering to fund its ongoing engineering, product development, and strategic initiatives and for general corporate purposes.

Azure Dynamics Corporation is a world leader in the development and production of hybrid electric and electric powertrains for 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, Ford Motor Company, 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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.

This press release is not an offer of the securities described above for sale in the United States (the "securities"). The securities offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements. Any public offering of the securities to be made in the United States will be made by means of a prospectus that may be obtained from Azure Dynamics Corp., Clarus Securities Inc., or Paradigm Capital Inc. and that will contain detailed information about the Company and management, as well as financial statements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any State in which such offer, solicitation or sale would be unlawful.

Numis Securities Limited is acting for the Company only in relation to the UK Offering and will not be responsible to any other person for providing protections afforded to clients of Numis Securities Limited or for advising such persons on the matters referred to in this announcement.

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

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