



News Release

AZURE DYNAMICS SIGNS MEMORANDUM OF UNDERSTANDING WITH UTILIMASTER FOR HYBRID VEHICLE INTEGRATION

Toronto, Ontario – August 2, 2007 – Azure Dynamics Corporation (TSX: AZD & LSE: ADC) (“Azure” or the “Company”), a leading developer of hybrid electric and electric powertrains for commercial fleet vehicles, today announced it has signed a Memorandum of Understanding (“MOU”) with Utilimaster Corporation (“Utilimaster”), a leading builder of step vans, commercial truck bodies and utility vehicles, for the assembly, hybridization and manufacturing engineering of Azure’s P1 hybrid electric commercial delivery vans and shuttle buses.

Under proposed terms of the MOU, Azure will provide Utilimaster with its P1 hybrid electric powertrains, which Utilimaster will integrate into Ford Motor Company’s (“Ford”) E-Series commercial chassis at Utilimaster’s manufacturing facilities in Wakarusa, Indiana.

“This business arrangement with Utilimaster represents a vital link in our supply chain for the production of our P1 hybrid electric commercial delivery vans. We expect this agreement will result in significant cost efficiencies as we increase production volumes of the Ford E-Series hybrid delivery vans,” said Scott Harrison, Chief Executive Officer of Azure Dynamics. “As a major Ford Pool Account, Utilimaster has extensive knowledge of the Ford E-Series chassis and meets all of the Ford process and quality requirements. We look forward to working with an industry leader like Utilimaster, who has built and delivered quality custom vehicles for some of the world’s largest fleet operators for more than two decades.”

“With 600,000 square feet of manufacturing and support facilities and approximately 1,000 employees, we have the breadth, capability and experience to accommodate the anticipated growth in demand for the Ford E-Series hybrid commercial vans and shuttle buses,” said Larry Doyle, President and Chief Executive Officer of Utilimaster. “We look forward to working with Azure Dynamics and Ford Motor Company in bringing the E-Series hybrid commercial delivery vehicles and shuttle buses to market.”

About Utilimaster

Located in Wakarusa Indiana, Utilimaster Corporation has been building quality custom commercial vehicles that include walk-in vans, parcel delivery vans and truck bodies since 1973. Winner of many awards and ISO 9001 certification, Utilimaster is dedicated to designing, building, and servicing vehicles. With multiple modern plants dedicated to designing and building the vehicles bodies, Utilimaster has a broad customer base in many industries, including the package delivery, truck rental, bakery/snack delivery, linen/uniform rental and utilities markets.

About Azure Dynamics

[Azure Dynamics Corporation \(TSX: AZD\) \(LSE: ADC\)](#) is a world leader in the development and production of hybrid electric and electric components and powertrain systems for commercial vehicles. Azure is strategically targeting the commercial delivery vehicle and shuttle bus markets and is currently working internationally with various partners and customers. The Company is committed to providing customers and partners with innovative, cost-efficient and environmentally-friendly energy management solutions. For more information please visit www.azuredynamics.com.

The TSX and LSE Exchanges do not accept responsibility for the adequacy or accuracy of this release.

-30-

Forward-looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning Azure's business development strategy, projected commercial revenues and product deliveries.

The forward-looking statements are based on certain key expectations and assumptions made by Azure, including expectations and assumptions concerning achievement of current timetables for development programs, target market acceptance of Azure's products, current and new product performance, availability and cost of labour and expertise, and evolving markets for power for transportation vehicles. Although Azure believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Azure can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with Azure's early stage of development, lack of product revenues and history of losses, requirements for additional financing, uncertainty as to commercial viability, uncertainty as to product development and commercialization milestones being met, uncertainty as to the market for Azure's products and unproven acceptance of Azure's technology, competition for capital, product market and personnel, uncertainty as to target markets, dependence upon third parties, changes in environmental laws or policies, uncertainty as to patent and proprietary rights, availability of management and key personnel, and acquisition integration risk. These risks are set out in more detail in Azure's annual information form which can be accessed at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and Azure undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

FOR MORE INFORMATION, CONTACT:

Steven Glaser, Vice-President, Corporate Affairs (416) 367-0220 ext 105
Email: sglaser@azuredynamics.com

David Shapton, Tel: +44 207 260 1312,
Numis Securities Limited, Nominated Adviser to the Company