



Azure Dynamics Reports Fiscal 2007 Year End Results

OAK PARK, MI – March 26, 2008 – Azure Dynamics Corporation (TSX: AZD & LSE: ADC) (“Azure” or the “Company”) a leading developer of hybrid electric and electric powertrains for commercial vehicles, today announced its financial results for the three and twelve-month periods ended December 31, 2007. The Company also provided an update on corporate and product development activities in the year.

“2007 was a pivotal year with many key accomplishments for Azure,” said Scott T. Harrison, Chief Executive Officer. “We have delivered product to end users in our three areas of strategic focus; general delivery, shuttle buses and electric drive solutions. Our executive ranks and Board have been bolstered by industry veterans and we completed additional equity financing to allow us to commercialize our product technology in 2008.”

Key 2007 Milestone’s

- Purolator Courier Ltd. increased order to 105 P1 parallel hybrid delivery vehicles;
- Agreement completed with FedEx Express to develop hybrid-electric powertrains for their commercial delivery fleet;
- Signed a commercial development and cooperation agreement with a major fleet, which became Azure’s third lead customer for the P1 parallel hybrid delivery vehicle;
- Met target of four lead customers by year end when Florida Power and Light becomes Azure’s fourth lead customer by signing a commercial development and cooperation agreement for Azure’s P1 parallel hybrid delivery vehicle;
- Executed supply agreement with Electro Autos Eficaces (“EAE”) of Mexico to convert 1,000 electric vehicle systems for Mexico City’s municipal automobile fleet;
- Finalized agreement with Kidron Inc. (“Kidron”) for supply and marketing of Low Emission Electric Power (“LEEP”) systems in refrigerated trucks;
- Canadian facility in Vancouver, B.C. became certified to the ISO 9001:2000 Quality Management System standard;
- Established new head office and development center in Oak Park, Michigan;
- Awarded the 2007 Deloitte Technology Green 15 as a top performer in environmental technology;
- Completed equity financing in October for \$30.0 million in gross proceeds.

Financial Results

Revenue for the fourth quarter of 2007 totaled \$0.5 million compared to \$3.0 million in the fourth quarter of 2006. For the year ended December 31, 2007 revenue decreased to \$2.8 million compared to \$5.8 million in 2006. Net loss for the fourth quarter of 2007 totaled \$8.4 million, or \$(0.03) per share compared to a loss of \$5.0 million or \$(0.03) per share in the fourth quarter of

2006. For the year ended December 31, 2007, the Company's net loss was \$30.2 million, or \$(0.14) per share, compared to a net loss of \$23.4 million, or \$(0.14) per share in 2006.

Before contributions, the Company's engineering, research and development ("R&D") expenses in the quarter totaled \$5.0 million (including \$2.7 million in product development costs), compared to \$5.1 million for the same period in 2006 (including \$2.7 million in product development costs). For the year ended December 31, 2007, the Company's engineering and R&D expenses totaled \$17.8 million (including \$10.0 million in product development costs) compared to \$17.6 million in 2006 (including \$10.8 million in product development costs).

As of December 31, 2007, the Company's cash and cash equivalents totaled \$24.1 million and working capital totaled \$32.3 million, compared to cash and cash equivalents of \$27.2 million and working capital of \$32.4 million as at December 31, 2006. During the year, the Company completed an equity financing, raising net proceeds of \$27.8 million to fund ongoing product development, operations and working capital.

Corporate

On April 17, 2007, Azure announced the appointment of Mr. Scott T. Harrison, as Chief Executive Officer. Mr. James J. Padilla, former President and Chief Operating Officer of the Ford Motor Company, was appointed to the Board of Directors in May 2007. Subsequently, Mr. Harrison appointed Mr. Curt Anthony Huston as Chief Operating Officer and Mr. Ryan Carr as Chief Financial Officer.

On September 19, 2007, Azure established its new corporate headquarters in Oak Park, Michigan, in order to position the business closer to key partners and automotive industry leaders.

"The key executive appointments added considerable experience to an already talented management team," Mr. Harrison said. "Add to that our changes to the Board of Directors and our headquarters relocation into the heart of the auto industry and Azure is positioned to move to the next level of product development and commercialization."

Product Development

Azure has formed significant relationships with industry leaders to increase penetration into its target markets and advance its product development programs. For example, the Company has established arrangements with Ford Motor Company, StarTrans (a business division of Supreme Corporation) and Utilimaster Corporation, which has facilitated a concentration of the Company's efforts around its core programs for series-hybrid (G1) and parallel-hybrid (P1) delivery vans and shuttle buses.

G1 Series (7,500 to 16,000 lbs. gross vehicle weight, "GVW")

- Purolator completed the introduction of 30 new hybrid delivery vans into their fleet operations in the first part of 2007; their combined fleet of Azure hybrid vehicles now totals 49 and have accumulated more than a half million miles in service.
- Azure delivered nine G1 hybrid shuttle buses (CitiBus Hybrid Senator HD or "CitiBus") to customers in New York. The Company has since completed the assembly of 35 additional cab-chassis with 24 more to be completed in the first half of 2008.

- On November 29, 2007, the Company successfully completed the Federal Transit Administration's new model bus durability testing of the G1 Citibus at the certification test facility in Altoona, Pennsylvania. The successful completion of this test qualifies Azure's gasoline hybrid drive system for federally-supported hybrid bus purchases by public transit agencies across the United States.

P1 Parallel (10,000 – 19,000 lbs. GVW)

- During 2007, Azure advanced the P1 parallel hybrid vehicle through the initial concept phase; including the build and testing of alternative design prototypes. Initial demonstration prototypes were completed and delivered to customers for in-service trials in the second half of 2007 and early 2008. It is intended, subject to formal agreement, to distribute the hybridized chassis through Ford's distribution channels.

LEEP Product

- Azure is in the process of designing and building the initial prototype of the LEEP system with a refrigerated truck body supplied by Kidron. The LEEP system has the potential to replace the ancillary motor/generators used in the other method of cooling refrigerator trucks, thereby reducing fuel consumption, noise and emissions. The Company anticipates initial deliveries under this supply agreement will commence in 2008.

Other Product Developments

- On April 9, 2007, the Company entered into a supply agreement with Electro Autos Eficaces of Mexico ("EAE") to deliver 1,000 electric drive systems for integration into the Nissan Tsuru sedan for use in Mexico City's municipal fleet. The first converted vehicle was completed in April 2007 and was unveiled at the International Electric Vehicle Forum on May 8, 2007 in Mexico City.

Conclusion

Mr. Harrison added, "2007 was a tremendous year for Azure Dynamics. We have launched best-in-class products, with market leading partners, to allow us to deliver product to world-class customers. The development of our key markets and our organization has us looking forward to 2008 and beyond."

The Company's complete fiscal 2007 audited year-end financial statements and MD&A are available at www.sedar.com or on the Company's website at www.azuredynamics.com.

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. Azure Dynamics' operations are based in North America and Europe.

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.

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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 labor 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.

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Azure Dynamics Corporation
(A Development Stage Enterprise)
Consolidated Balance Sheets
(Stated in Thousands)

As at	December 31 2007	December 31 2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 6)	24,133	27,192
Accounts receivable	590	3,394
Contributions receivable (Note 14)	1,128	1,274
Inventory and related prepayments (Note 7)	10,201	3,821
Prepaid expenses	702	831
	<u>36,754</u>	<u>36,512</u>
Restricted cash (Note 6)	1,172	699
Property and equipment (Note 8)	5,746	5,614
Intangible assets, net of amortization (Note 9)	9,283	10,542
Goodwill (Note 3)	2,932	2,932
	<u>55,887</u>	<u>56,299</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	4,275	2,814
Customer deposits & deferred revenue	166	1,046
Current portion of notes payable (Note 4)	35	212
	<u>4,476</u>	<u>4,072</u>
Long-term		
Deferred revenue	941	943
Notes payable (Note 4)	2,064	2,294
	<u>3,005</u>	<u>3,237</u>
Shareholders' equity		
Share capital (Note 12)	140,665	112,803
Contributed surplus (Note 12)	5,605	3,816
Deficit	(97,864)	(67,629)
	<u>48,406</u>	<u>48,990</u>
	55,887	56,299

Approved on behalf of the Board:
"signed Scott T. Harrison" Director
 Scott T. Harrison
"signed Dennis A. Sharp" Director
 Dennis A. Sharp

The accompanying notes are an integral part of these consolidated financial statements.

Azure Dynamics Corporation
(A Development Stage Enterprise)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Stated in Thousands)

	For the years ended December 31		Cumulative Since Inception
	2007	2006	
	\$	\$	
Revenues	2,801	5,771	13,180
Cost of sales	3,098	4,590	11,523
Gross Margin	(297)	1,181	1,657
Expenses			
Engineering, research, development and related costs, net	16,690	13,466	50,723
Selling and marketing	3,683	3,171	13,945
General and administrative	7,813	8,376	34,328
Total expenses	28,186	25,013	98,996
Loss from operations	(28,483)	(23,832)	(97,339)
Interest and other income, net	934	487	2,262
Other Expense	(2,604)	-	(2,604)
Foreign currency losses	(82)	(89)	(183)
Net loss and comprehensive loss for the period	(30,235)	(23,434)	(97,864)
Deficit, beginning of period	(67,629)	(44,195)	-
Net loss for the period	(30,235)	(23,434)	
Deficit, end of period	(97,864)	(67,629)	(97,864)
Loss per share - basic	(0.14)	(0.14)	
Weighted average number of shares - basic *	214,274	164,130	

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

The accompanying notes are an integral part of these consolidated financial statements.

Azure Dynamics Corporation
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows
(Stated in Thousands)

	For the years ended December 31		Cumulative Since Inception
	2007	2006	
	\$	\$	\$
Cash flows from operating activities			
Net loss for the period	(30,235)	(23,434)	(97,864)
Adjustments for:			
Amortization of property and equipment	931	780	3,206
Amortization of intangible assets	1,431	1,749	4,770
Unrealized foreign currency losses	(450)	(245)	(525)
Accretion expense on convertible debentures	-	-	74
Amortization of deferred financing costs	-	-	88
Lease termination	-	-	458
Common shares issued in exchange for services	-	-	78
Loss on disposal of assets	214	-	214
Stock option compensation expense	967	1,696	4,910
Deferred share units compensation expense	826	-	826
	(26,316)	(19,454)	(83,765)
Changes in non-cash working capital items (Note 16)	(2,809)	(5,232)	(9,570)
Movement due to exchange impact	88	(24)	(11)
Total Cash flows from operating activities	(29,037)	(24,710)	(93,346)
Cash flows from financing activities			
Issuance of common shares (net of costs)	27,858	31,905	120,206
Alternative Investment Market listing costs	-	-	(1,000)
Capital Assurance Agreement costs	-	-	(965)
Convertible debentures funds received (net of costs)	-	-	2,009
Issuance of special warrants	-	-	3,500
Repayment of obligations under capital lease	-	-	(27)
Repayment of long term debt	-	-	(50)
Principle payments on notes payable	(36)	(54)	(132)
Movement due to exchange impact	-	4	(369)
Total Cash flows from financing activities	27,822	31,855	123,172
Cash flows from investing activities			
Acquisition of property and equipment	(1,278)	(820)	(4,366)
Acquisition of intangible assets	(172)	(97)	(1,034)
Changes in Restricted Cash	(473)	-	(1,171)
Cash acquired from acquisition of subsidiary, net of costs	-	-	365
Changes in loans to employees	-	-	92
Movement due to exchange impact	(154)	238	84
Total Cash flows from investing activities	(2,077)	(679)	(6,030)
Increase (decrease) in cash and cash equivalents	(3,292)	6,466	23,796
Exchange impact on cash held in foreign currency	233	5	337
Cash and cash equivalents, beginning of period	27,192	20,721	-
Cash and cash equivalents, end of period	24,133	27,192	24,133

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