



Azure Dynamics Reports 1st Quarter 2011 Revenues

- Gross margin improves 193% year over year to 11% of sales
- Record quarterly order intake of \$27.2 million, representing 838 vehicle orders
- Cash position remains strong with \$17.7 million at quarter end
- Reaffirms 2011 revenue guidance of \$52 - \$68 million

OAK PARK, MI – June 14, 2011 – Azure Dynamics Corporation (TSX: AZD)(OTC: AZDDF), a world leader in the development and production of hybrid electric and electric components and powertrain systems for commercial vehicles, today announced its financial results for the period ending March 31, 2011. The results are issued for the first time under the International Financial Reporting Standards (IFRS) which replaced Canadian Generally Accepted Accounting Principles (GAAP) effective January 1, 2011 for all publicly accountable enterprises in Canada.

Revenue for the first quarter of 2011 totaled \$1.4 million compared to \$2.8 million in the first quarter of 2010. Net loss for the first quarter of 2011 totaled \$9.1 million, or \$(0.01) per share compared to a loss of \$4.8 million or \$(0.01) per share in the first quarter of 2010. Gross margin for the first quarter of 2011 improved 193% to \$157,000, or 11% of sales, from (\$169,000) in the comparable period a year ago. Before contributions, the Company's engineering, research and development ("R&D") expenses in the first quarter totaled \$6.4 million (including \$3.0 million in product development costs), compared to \$5.3 million for the same period in 2010 (including \$2.7 million in product development costs).

New orders received during the first quarter of 2011 were \$27.2 million, representing 838 vehicles, compared with fourth quarter 2010 orders of \$3.5 million, an improvement of \$25.4 million, or 826%. This compares to first quarter 2010 of \$6.2 million in orders representing 246 units.

"Although year over year revenue for the quarter was down, it was in-line with our expectations as the first quarter is typically the slowest due to the seasonality of our order flow," said Scott Harrison, CEO of Azure Dynamics. "In terms of order flow, the quarter itself was robust as we booked orders for 838 trucks from returning and new customers. Additionally, we made significant advancements in our European operations, including naming Lotus Lightweight Structures ("LLS") as our Transit Connect Electric manufacturing partner and Post Norway as our first customer. Our sales and marketing representation was also expanded in North America with 76 new Ford Commercial Truck Dealerships enrolling in Transit Connect Electric sales and service programs in key markets."

Energy continues as the dominant theme in the new millennium and Azure is making valuable contributions. With President Obama mandating that all new federal fleet unit orders be alternative energy beginning in 2015, and renewing his commitment to having one million

electric vehicles (“EV”) on America’s roads by that same year, Azure is quite literally living its mission to be ‘Part of the Solution’ for customers, partners, shareholders and society at large.

The highlight of the quarter was a 600 unit Balance™ Hybrid Electric order by Purolator, with 200 units to be delivered annually beginning in 2011. DHL placed a significant 80 unit order which included 50 Balance™ Hybrid Electric trucks and 30 Transit Connect Electric vans destined for an all-alternative energy facility in New York City. The order shows that major fleets often require different vehicle technologies and sizes to meet different delivery needs. Azure is prepared to meet most of these needs.

As of March 31, 2011, the Company’s net cash and cash equivalents totaled \$17.7 million, and working capital totaled \$22.1 million, compared to cash and cash equivalents of \$11.7 million, and working capital of \$11.4 million, as of December 31, 2010.

On February 10, 2011, Azure successfully closed its bought deal offering of 60,984,848 common shares of the Company at a price of CDN\$0.33 per Share. The total offering of Shares resulted in Azure receiving aggregate gross proceeds of approximately CDN\$20.1 million.

2011 FINANCIAL OUTLOOK

Based on the Company’s current backlog and future order expectations, the Company is reaffirming its previous 2011 financial outlook. 2011 revenues are expected to be in a range of \$52 million to \$68 million. The Company expects 2011 results to be significantly stronger beginning in the second quarter due to the launch of the Transit Connect Electric, which will continue into the second half of the year. Unit volume for 2011 is expected to be in the range of 1,300 to 1,500 units, consisting of approximately 700 to 800 Balance™ Hybrid Electric drive-trains and LEEP systems and 600 to 700 Force Drive™ Electric drive-trains for the Transit Connect Electric.

The Company’s fiscal 2011 first quarter financial statements and MD&A are available at www.sedar.com or on the Company’s website at www.azuredynamics.com.

Conference Call

Scott Harrison, Azure Dynamics Chief Executive Office, and Ryan Carr, Chief Financial Officer will host an earnings call today, June 14th, at 5:00 PM EST. Interested listeners can access the call toll free at (877) 407-4134 and should call in at least 15 minutes before start time. Participants from outside North America can participate in the call by dialing (201) 689-8430. It is recommended that you access the call at least fifteen minutes before the scheduled start time. An accompanying presentation will be posted to the company’s website, www.azuredynamics.com, immediately prior to the call.

For those unable to participate in the live conference, a call replay will be posted on Azure’s site on June 15th.

Annual General Meeting information

All interested parties are invited to attend Azure Dynamics’ Annual General Meeting on June 15, 2011 at 4:30 p.m. (local time) at the Company’s Corporate Headquarters, 14925 W. 11 Mile Road, Oak Park, Michigan, 48237. In addition to the formal business described in the Management Information Circular, there will be a management presentation on business activities and the Company’s 2010 financial results.

About Azure Dynamics

Azure Dynamics Corporation (TSX: AZD)(OTC: AZDDF) 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 a variety of 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 Exchange does not accept responsibility for the adequacy or accuracy of this release.

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Forward-Looking Statements Advisory

Certain information included in this press release constitutes forward-looking statements and information and future-oriented financial information under applicable securities legislation and is provided for the purpose of expressing management's current expectations and plans for the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.

More particularly, this press release contains statements concerning Azure's anticipated: business development strategy, customer orders, product deliveries, sales, revenue and revenue growth. The forward-looking statements are based on a number of key expectations and assumptions made by Azure, including expectations and assumptions concerning achievement of current timetables for development programs and sales, 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 used to develop the forward-looking statements 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 numerous risks and uncertainties that contribute to the possibility that the projections and forecasts in the forward-looking statements will not occur and that actual performance or results could differ materially from those anticipated in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks associated with Azure's stage of development, history of losses and lack of historical product revenues, uncertainty as to product development and sales milestones being met, product defect and performance risks, competition for capital and market share, uncertainty as to target markets, dependence upon third parties, changes in environmental laws or policies, uncertainty as to patent and proprietary rights, availability and retention of management and key personnel, exchange rate and currency fluctuations, uncertainties relating to potential delays or changes in plans with respect to product development or capital expenditures, the ability of Azure to access sufficient capital on acceptable terms, and environmental and safety risks. This is not an exhaustive list and additional information on these risks and other factors that could affect Azure's operations and financial results are included in reports on file with the Canadian securities regulatory authorities and can be accessed through the SEDAR website 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. Additionally, Azure undertakes no obligation to comment on the expectations of, or statements made by, third parties about Azure.

FOR MORE INFORMATION, CONTACT:

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Azure Dynamics Corporation
Unaudited Interim Consolidated Balance Sheets
(Stated in thousands of Canadian dollars, except per share amounts and number of shares)

As at	March 31 2011	December 31 2010	January 1 2010
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	17,685	11,737	33,482
Accounts receivable	7,128	10,107	2,700
Inventory (Note 3)	9,916	5,590	5,415
Prepaid expenses	1,040	949	1,170
Total current assets	35,769	28,383	42,767
Non-current assets			
Restricted cash	582	597	831
Investment in ND Solectria, LLC (Note 9)	304	319	336
Property and equipment (Note 9)	3,198	2,781	2,309
Other assets	97	114	-
Intangible assets (Note 9)	5,290	5,590	6,755
Goodwill (Note 9)	2,932	2,932	2,932
Total non-current assets	12,403	12,333	13,163
Total assets	48,172	40,716	55,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12,533	15,783	9,988
Customer deposits & deferred revenue	106	96	731
Current portion of government financial obligations (Note 4, 9)	992	993	306
Current portion of obligations under capital leases	88	82	99
Total current liabilities	13,719	16,954	11,124
Non-current liabilities			
Obligations under capital leases	62	96	117
Customer deposits & deferred revenue	485	507	603
Government financial obligations (Note 4, 9)	4,843	4,582	3,767
Total non-current liabilities	5,390	5,185	4,487
Shareholders' equity			
Share capital (Note 5)	227,089	208,570	202,250
Contributed surplus	9,365	8,271	7,150
Cumulative translation adjustment (Note 9)	(63)	32	-
Deficit	(207,328)	(198,296)	(169,081)
Total equity	29,063	18,577	40,319
Total equity and liabilities	48,172	40,716	55,930

Azure Dynamics Corporation
Unaudited Interim Consolidated Statements of Comprehensive Loss
(Stated in thousands of Canadian dollars, except per share amounts and number of shares)

	For the three months ended March 31	
	2011	2010
	\$	\$
Revenues	1,422	2,847
Cost of sales	1,265	3,016
Gross profit	157	(169)
Expenses		
Engineering, research, development and related costs, net	5,389	1,670
Selling and marketing	803	514
General and administrative	2,798	2,248
Total expenses	8,990	4,432
Loss from operations	(8,833)	(4,601)
Interest and other income, net	85	65
Interest expense	(266)	(220)
Other expense	-	(11)
Foreign currency loss	(84)	(143)
	(265)	(309)
Net loss before the following	(9,098)	(4,910)
Share of profit from investment in ND Solectria, LLC (Note 9)	66	71
Net loss for the period	(9,032)	(4,839)
Other comprehensive (loss) income		
Foreign currency translation differences of foreign operations	(95)	36
Total comprehensive income (loss) for the period	(9,127)	(4,803)
Loss per share – basic and diluted	(0.01)	(0.01)
Weighted average number of shares – basic and diluted	660,402,356	605,128,008

Azure Dynamics Corporation
Unaudited Interim Consolidated Statements of Cash Flows
(Stated in thousands of Canadian dollars, except per share amounts and number of shares)

	For the three months ended March 31	
	2011	2010
	\$	\$
Cash flows from operating activities		
Net loss for the period	(9,032)	(4,839)
Adjustments for:		
Amortization of property and equipment	294	226
Amortization of intangible assets	330	326
Amortization of other assets	16	-
Unrealized foreign currency (gains)/losses	(56)	23
Share of profit receivable from ND Solectria, LLC (Note 9)	(56)	(71)
Stock option compensation expense	1,042	348
Deferred share units compensation expense	74	58
Accretion expense on government financial obligations	262	212
	(7,126)	(3,717)
Changes in non-cash working capital items	(4,689)	1,890
Cash flows from operating activities		
Interest paid and received	-	-
Income tax paid	-	-
Total net cash flows from operating activities	(11,815)	(1,827)
Cash flows from financing activities		
Proceeds from issue of common shares	20,158	14
Payment for share issuance costs	(1,660)	(29)
Principal repayments on government financial obligations	-	(26)
Repayment of obligations under capital lease	(27)	(64)
Total cash flows from financing activities	18,471	(105)
Cash flows from investing activities		
Acquisition of property and equipment	(743)	(101)
Acquisition of intangible assets	(29)	(34)
Sale of property and equipment	-	-
Dividend received from ND Solectria, LLC (Note 9)	67	68
Changes in restricted cash	-	-
Total cash flows from investing activities	(705)	(67)
Increase/(Decrease) in cash and cash equivalents	5,951	(1,999)
Exchange impact on cash held in foreign currency	(3)	19
Cash and cash equivalents, beginning of period	11,737	33,482
Cash and cash equivalents, end of period	17,685	31,502

Azure Dynamics Corporation
Unaudited Interim Consolidated Statement of Changes in Equity
(Stated in thousands of Canadian dollars, except per share amounts and number of shares)

For the three months ended March 31, 2011 and 2010

	Number of shares	Share capital	Contributed surplus	Cumulative translation adjustment	Retained earnings (deficit)	Total
January 1, 2010	605,084,932	\$ 202,250	\$ 7,150	\$ -	\$(169,081)	\$ 40,319
Equity financing	-	-	-	-	-	-
Share issue costs	-	(25)	-	-	-	(25)
Exercise of options	216,833	9	-	-	-	9
Reclass on exercise of options to share capital	-	5	(5)	-	-	-
Share-based compensation	-	-	348	-	-	348
Awards of Deferred share units	-	-	58	-	-	58
Net loss	-	-	-	-	(4,839)	(4,839)
Effects of foreign currency translation	-	-	-	36	-	36
March 31, 2010	605,301,765	202,239	7,551	36	(173,920)	35,906
January 1, 2011	626,880,454	208,570	8,271	32	(198,296)	18,577
Equity financing (Note 5)	60,984,848	20,125	-	-	-	20,125
Share issue costs	-	(1,660)	-	-	-	(1,660)
Exercise of options	652,352	32	-	-	-	32
Reclass on exercise of options to share capital	-	22	(22)	-	-	-
Share-based compensation	-	-	1,042	-	-	1,042
Awards of Deferred share units	-	-	74	-	-	74
Net loss	-	-	-	-	(9,032)	(9,032)
Effects of foreign currency translation	-	-	-	(95)	-	(95)
March 31, 2011	688,517,654	\$ 227,089	\$ 9,365	\$ (63)	\$(207,328)	\$ 29,063