

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1. Address and Name of Company:

Azure Dynamics Corporation
14925 West Eleven Mile Road
Oak Park, Michigan 48237
USA

Item 2. Dates of Material Changes:

January 24, 2011 and January 25, 2011

Item 3. News Releases:

A Press Release was issued by Azure Dynamics Corporation on each of **January 24, 2011** and **January 25, 2011** by CNW Group in Toronto, Ontario.

Item 4. Summary of Material Changes:

January 24, 2011:

Azure Dynamics Corporation (TSX: AZD) (PINK SHEETS: AZDDF) (“**Azure**” or the “**Company**”) announced that it has entered into an agreement with Raymond James Ltd., as a lead underwriter on behalf of a syndicate of underwriters (the “Underwriters”) to sell to the Underwriters, on a bought deal basis, 45,454,545 common shares (the “Shares”) of the Company at a price of CDN\$0.33 per Share for aggregate gross proceeds of CDN\$15,000,000 (the “Offering”).

January 25, 2011:

The Company announced that as result of investor demand it has upsized its bought deal financing to \$17.5 million. The Company has entered into an amending agreement with the Underwriters, pursuant to which it has agreed to sell to the Underwriters, on a bought deal basis, 53,030,303 Shares of the Company at a price of CDN\$0.33 per Share for aggregate gross proceeds of CDN\$17,500,000 (the “Increased Offering”).

Item 5. Full Description of Material Changes:

January 24, 2011:

Azure Dynamics Corporation (TSX: AZD) (PINK SHEETS: AZDDF) (“**Azure**” or the “**Company**”) announced that it has entered into an agreement with Raymond James Ltd., as a lead underwriter on behalf of a syndicate of underwriters (the “Underwriters”) to sell to the Underwriters, on a bought deal basis, 45,454,545 common shares (the “Shares”) of the Company at a price of CDN\$0.33 per Share for aggregate gross proceeds of CDN\$15,000,000 (the “Offering”).

The Company has also granted the Underwriters the option (the “Over-Allotment Option”) to purchase up to an additional 6,818,182 Shares at the Offering price for additional gross proceeds to the Company of up to \$2,250,000. The Over-Allotment Option is exercisable, in whole or in part, until noon (EST) on the 30th day following the

closing of the Offering for purposes of satisfying over-allotments, if any, and for market stabilization purposes.

The Company plans to use the net proceeds of this financing to fund its ongoing product development and commercialization efforts as well as general corporate purposes. The Offering is scheduled to close on or about February 10, 2011 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange.

The Shares will be offered by way of a short form prospectus to be filed in all provinces of Canada, pursuant to National Instrument 44-101 Short Form Prospectus Distributions, and in the United States on a private placement basis.

January 25, 2011:

The Company announced that as result of investor demand it has upsized its bought deal financing to \$17.5 million. The Company has entered into an amending agreement with the Underwriters, pursuant to which it has agreed to sell to the Underwriters, on a bought deal basis, 53,030,303 Shares of the Company at a price of CDN\$0.33 per Share for aggregate gross proceeds of CDN\$17,500,000 (the "Increased Offering").

The Company has also granted the Underwriters the option (the "Increased Over-Allotment Option") to purchase up to an additional 7,954,545 Shares at the Offering price for additional gross proceeds to the Company of up to \$2,625,000. The Increased Over-Allotment Option is exercisable, in whole or in part, until noon (EST) on the 30th day following the closing of the Increased Offering for purposes of satisfying over-allotments, if any, and for market stabilization purposes.

The Company plans to use the net proceeds of this financing to fund its ongoing product development and commercialization efforts as well as general corporate purposes. The Offering is scheduled to close on or about February 10, 2011 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange.

The Shares will be offered by way of a short form prospectus to be filed in all provinces of Canada, pursuant to National Instrument 44-101 Short Form Prospectus Distributions, and in the United States on a private placement basis.

Item 6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:

Not applicable

Item 7. Omitted Information:

Not applicable

Item 8. Executive Officer:

Ryan Carr
Chief Financial Officer
Telephone: (248) 298-2403

Item 9. Date of Report:

January 27, 2011