

AXION POWER INTERNATIONAL, INC.
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**AXION POWER INTERNATIONAL GETS \$1.2 MILLION IN FEDERAL FUNDING
TO DEVELOP ADVANCED BATTERIES FOR U.S. MARINE VEHICLES**

*U.S. Rep. Jason Altmire (PA-4) secures grant for Axion, visits the
company's northwestern Pennsylvania facility to deliver funding*

NEW CASTLE, PA (October 6, 2008) . . . Axion Power International, Inc. (OTC Bulletin Board: AXPW), an industry leader in the development of advanced batteries and energy storage devices, announced it has received a \$1.2 million federal grant, secured by U.S. Rep. Jason Altmire (PA-4) through the Department of Homeland Security Appropriations Act, 2008. The grant will fund work aimed at the development of new lightweight, high-power batteries for use in U.S. Marine Corps vehicles.

The device is modeled on Axion's patented lead-carbon (PbC™) technology --- the first major breakthrough in battery advancement in more than 30 years. The goal of the program is to reduce weight and increase power in military assault and silent watch vehicles.

Axion's new lead-carbon technology will offer several advantages in this application including: less lead; high power delivery rates; improved cold temperature performance; faster recharge rates; and longer life cycle than those achieved from current conventional lead-acid batteries.

"Congressman Altmire has been a real advocate for Axion and our innovative technology," Axion Chief Executive Officer Thomas Granville said. "We're proud of the work we're doing and we're honored by Congressman Altmire's recognition of our product as a way to help our military and enhance our national security."

Axion's project is among 10 totaling \$21.1 million that Congressman Altmire secured in a continuing resolution (H.R. 2638) that the president enacted Sept. 30. The U.S. House of Representatives approved the funding Sept. 24 and the U.S. Senate followed on Sept. 27. The total funding package will help to create more than 100 high-paying jobs and sustain over 2,200 positions in western Pennsylvania. Congressman Altmire is working to establish a high-tech and advanced-energy corridor in northwestern Pennsylvania, and cited Axion's progress as an example of the region's potential.

"With companies like Axion Power International, our region is leading the way in the development of advanced, innovative technology for use by the military," said Congressman Altmire, who delivered the \$1.2 million this morning during a visit to Axion's New Castle facility.

It was Congressman Altmire's second visit to Axion. In July 2007, he visited the plant as part of his kickoff program aimed at establishing the "high-tech corridor." Congressman Altmire is among a string of business representatives, local officials and government leaders at every level to visit Axion since the industry trail blazer relocated from Toronto, Canada, in 2006. Axion chose Pennsylvania, and more specifically labor-talented Lawrence County, over several other vying states.

In 2007, Gov. Rendell awarded Axion Power \$1.2 million in state aid to help fund job training, product testing and automated production equipment. Granville continued, "We currently employ 39 workers here, an increase from 23 prior to the Pennsylvania award. As a direct result of this federal grant, we will increase employment immediately. Axion requested \$5,000,000 over a 3-year period to study and develop battery and ultra cap products that would meet the requirements of the Marine Corps and the Department of Navy Research. The \$1.2 million award covers the first year of that program. We expect our first product to be available in the initial year of this program and once it is available, we plan to qualify and market it to the Marines for assault vehicles and the silent watch program. We will continue to develop our technology and expect to market our proprietary lead carbon product for a wide array of vehicles for all branches of the military. This would naturally result in the creation of dozens of additional jobs here at our New Castle facility."

MORE-MORE-MORE

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About Axion Power International Inc.

Axion has developed and patented a next generation energy storage device that won the prestigious Frost & Sullivan Technology Award for North America in the field of lead-acid batteries. According to Frost & Sullivan, Axion's new PbC batteries have "the potential to revitalize the lead-acid battery industry by breathing new life into an established technology that was not well suited to the requirements of important new applications like hybrid electric vehicles and renewable power."

Axion Power International Inc. is the industry leader in the field of lead-acid-carbon energy storage technologies. Axion is producing prototype PbC batteries in small quantities at its plant in New Castle and believes this new battery technology is the only class of advanced battery that can be assembled on existing lead-acid battery production lines throughout the world without significant changes to production equipment and fabrication processes. It also believes it will be able to manufacture carbon electrode assemblies in volume at low cost using standard automated production methods that are commonly used in other industries. If and when its electrode manufacturing methods are fully developed, Axion believes it will be able to sell carbon electrode assemblies as virtual plug-and-play replacements for lead-based negative electrodes used by all other lead-acid battery manufacturers. Axion's goal is to become the leading supplier of carbon electrode assemblies for the lead-acid battery industry. For more information, visit www.axionpower.com.

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