

AXION POWER INTERNATIONAL, INC.
3601 Clover Lane
New Castle, Pennsylvania 16105

AXION POWER RECEIVES INITIAL PAYMENT FROM COMMONWEALTH OF PENNSYLVANIA

Part of \$1.2 Million Grant from the Department of Environmental Protection

NEW CASTLE, PA (September 11, 2007) ... Axion Power International, Inc. (OTC Pink Sheets: AXPW) announced today that it has received an initial payment of \$512,000 from the Commonwealth of Pennsylvania under the terms of a previously announced grant from the Department of Environmental Protection's (DEP) Small Business and Household Pollution Prevention Program. The payment represents a partial reimbursement of costs Axion incurred as a result of the purchase of new manufacturing equipment for its facility in New Castle, Pennsylvania.

Thomas Granville, Axion's CEO said: "We thank the Governor's Action Team, the Department of Community Development and all the other little people of Pennsylvania government, whose cooperative effort made this initial grant happen. Governor Rendell has made "energy independence" and a "return of jobs to Pennsylvania" high priority items. Axion Power will be an important contributor to both initiatives. We also have a prominent place in Pennsylvania's Green Technology sector due to the lead reduction in our more environmentally friendly product"

The Company plans to use the cash payment to augment their working capital, support further design development of their new proprietary carbon electrode, and facilitate the ongoing expansion of the New Castle operations. During the next couple of months, they expect to receive additional equipment cost re-imbursements amounting to \$238,000 from DEP, as well as a \$150,000 Opportunity Grant cash payment. Axion has also begun to receive \$42,300 in Customized Job Training funds and \$258,000 in Job Creation Tax Credits that make up the remainder of the \$1,200,000 Pennsylvania grant.

About Axion Power International, Inc.

Axion has developed and patented a next generation energy storage device that won the prestigious 2006 Frost & Sullivan Technology Innovation Award for North America in the field of lead-acid batteries. According to Frost & Sullivan, Axion's new PbC-acid 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's new PbC-acid batteries use sophisticated carbon electrode assemblies to replace the simple lead-based negative electrodes used by other lead-acid battery manufacturers. The resulting PbC-acid battery offers energy storage approaching lead acid batteries, coupled with far longer cycle life and power output approaching super-capacitors. These low-cost devices recharge rapidly and are environmentally friendly because they use substantially less lead – up to 60% in some applications. Axion has been producing prototype PbC-acid batteries at its lead-acid battery plant in New Castle, Pennsylvania for over a year using the same cases, positive electrodes, separators, electrolytes and manufacturing equipment that are used in its specialty lead-acid batteries. The only notable manufacturing difference is the use of its proprietary carbon electrode assemblies that replace the lead-based negative electrodes. Early results from seven months of demonstration testing at an integrated wind and solar power installation in Ontario are very encouraging.

Axion believes its PbC-acid batteries are the only class of advanced battery that can be assembled on existing lead-acid battery production lines with no 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 the electronics industry. 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 the lead based negative electrodes used by all other battery manufacturers.

Axion's goal is to become the leading supplier of carbon electrode assemblies for the lead-acid battery industry.

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"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995:

Certain statements in this Press Release are "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. These statements include, without limitation, our ability to successfully complete the commercialization of the PbC product. These forward-looking statements are based on our current expectations and beliefs and are subject to a number of risk factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Such risks and uncertainties include all of the risks inherent in commercializing a new product (including technology risks, market risks, financial risks and implementation risks), as well as other risks and uncertainties affecting the Company, included in filings with the Securities and Exchange Commission, all of which are available at www.sec.gov. We disclaim any intention or obligation to revise any forward-looking statements, including, without limitation, financial estimates, whether as a result of new information, future events, or otherwise.

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