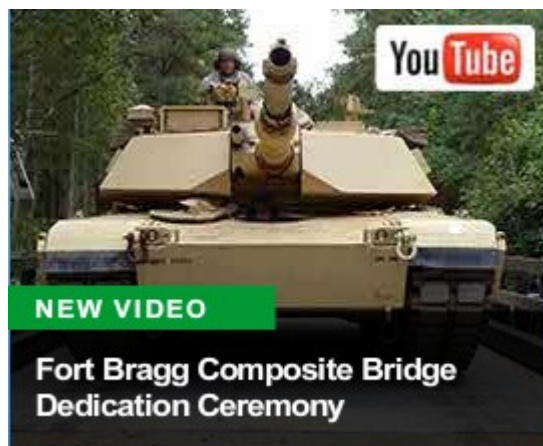


Bridge and Rail Tie Sales Point to Bright Prospects Ahead for Axion

AXIH Makes Significant Progress on Bridge and Rail Opportunities: In the 10-Q for the period ended 6/30/09, AXIH reported revenue from the sale of two bridges at Ft. Bragg and the sale of 2,100 rail ties to a major rail carrier. Within the last month, AXIH has participated in the official public unveiling of the bridges at Ft. Bragg and has had its thermoplastic technology extensively studied and recommended in a report published by the U.S. Army Corps of Engineers, which concluded that the AXIH bridge has an expected life of 50 years and reaches breakeven at 8 years relative to a wooden bridge likely to last only 15 years. During the dedication ceremony at Ft. Bragg, a Senior Acquisition Policy Specialist from the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) estimated a 34 to 1 return on investment utilizing the AXIH technology.



Revenue and Earnings Outlook: Although the business development pipeline for transportation related applications is lengthy and the federal government acts slowly, AXIH estimates that the bridge opportunity at Ft. Bragg alone is \$40 million and the rail tie opportunity is over \$1 billion. Due to a range of operational and financial challenges unique to its technology and capital structure, North American Technologies Group (NAMC.PK), which manufactures engineered composite railroad ties, recently reported that it has retained bankruptcy counsel. However, for fiscal 2008, NAMC reported over \$32.5 million in revenue from the sale of rail ties. As illustrated later in this report, Murphy Analytics estimates that if AXIH can reach \$16.25 million in rail tie revenue and \$20 million in bridge revenue, the Company has the potential to generate earnings of approximately \$0.25 per share.

Potential Valuation: The PowerShares Cleantech Portfolio Fund recently reported a price / earnings multiple of 20.9x and the iShares Global Infrastructure Fund recently reported a price / earnings multiple of 18.6x. Applying a 20x multiple to potential AXIH earnings of \$0.25 results in a share price of \$5.00. Given the inevitable nature of the AXIH business development pipeline, it seems reasonable to assume that it could take some time to ramp up to this production and revenue run rate, but with potential earnings power significantly beyond \$0.25 per share, the revenue assumptions noted previously seem to be achievable in the near future. Based on significant recent business development achievements and the continuing view that the AXIH technology provides superior economics and functionality in an environmentally responsible manner for markets with tremendous opportunity, Murphy Analytics is raising the 12-month price target on AXIH from \$4.00 to \$5.00.

AXIH Recent Price	\$3.05	<p><u>Please review the risk factors outlined later in this report and the important disclosures and disclaimers at the end of this report.</u></p>
AXIH - Recent Market Cap	\$50.4 million	
AXIH 52-Week Price Range	\$0.51 - \$3.35	
MA 12-Month AXIH Price Target	\$5.00	

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AXIH – Recent Business Development Highlights

AXIH Thermoplastic Technology Detailed in U.S. Army Corps of Engineers Research Paper:

The report¹, entitled “*Thermoplastic Composites as Degradation-Resistant Material Systems for Timber Bridge Designs*”, includes Axion’s research partner, Dr. Thomas J. Nosker of Rutgers University, as co-author with U.S. Army Corps of Engineers researchers. In addressing the economics of the thermoplastic technology relative to a treated wood bridge, the report cites the environmental benefit but notes that even without considering any environmental impact, the thermoplastic bridge pays for itself only 8 years into an expected 50-year life:

“A typical treated wood bridge structure at this site would need to be replaced every 15 years with biannual inspections and maintenance to replace deteriorated boards and loose fasteners. The plastic lumber bridge is expected to last 50 years with minimal maintenance. While the plastic lumber products cost more than double what they would be for a replacement treated wood bridge, a lifecycle cost analysis showed the plastic lumber bridge would begin to pay for itself in less than 8 years. An added benefit is the fact that the plastic lumber bridge used some 13,000 lb (5,900 kg) of waste plastics that had otherwise been destined for landfills. This amount is equivalent to approximately 78,000 one-gallon (3.8-liter), high-density polyethylene (HDPE) milk jugs and 335,000 8-oz (237-milliliter) molded polystyrene coffee cups. The bridge will not require any application of protective coatings or preservatives that can emit environmentally damaging volatile organic compounds into the atmosphere.”

After detailing differences in properties and performance between thermoplastic and wooden bridge structure, the report concludes with a clear endorsement of the thermoplastic technology:

“Thermoplastic composite lumber materials are resistant to moisture, rot, insects, and degradation that occurs with natural wood when exposed to the outdoor environment, chemically treated or not. Because it does not use toxic chemical treatments, it is a viable alternative material to treated-wood. While there certainly are property differences between thermoplastic composite materials and natural wood, appropriate design considerations and material formulation (i.e., unreinforced versus reinforced) enable these materials to be used in high load bearing applications for all-types of structures such as the subject bridge at Fort Bragg. Not only can these bridges be cost competitive on a first-cost basis but are clear winners on a lifecycle basis considering the low-maintenance requirements of these materials. The innovative thermoplastic composite I-beam bridge at Fort Bragg shows that this design and materials should be considered for replacement of the thousands of wood timber bridges that exist on Army Installations and Federal and State Parks and Forests throughout the U.S.”

¹ http://www.trilogy-capital.com/content/axih/docs/axih_dod092909.pdf

AXIH Announces Official Public Unveiling of World's First Thermoplastic Bridges Capable of Supporting Over 70 Tons: In assessing the functionality of the AXIH bridge, Dr. Roger Hamerlinck, Senior Acquisition Policy Specialist, Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology, notes that wooden bridge replaced by AXIH bridge had a military load capacity of 4.3 tons while the video demonstrates that the AXIH thermoplastic bridge has a load capacity of over 70 tons. With regard to the relative economics and overall cost of corrosion, Dr. Hamerlinck notes:

“The Department of Defense spends \$22.5 billion annually on equipment and infrastructure as an impact of corrosion. For the Army, this number is approximately \$5.8 billion...This bridge is less expensive to build than its alternatives, it provides greater corrosion resistance, and it is practically maintenance free. The Army estimates that we will receive a 34 to 1 return on investment by using this technology.”



AXIH has completed construction of two thermoplastic bridges for installation at Ft. Bragg and a third is planned. AXIH estimates that the construction of the two bridges utilized approximately 207,000 pounds of recycled plastic, roughly equivalent to 745,000 one gallon milk and juice containers. AXIH also cites an estimated cost of \$140 billion² to repair every structurally deficient and obsolete bridge in the U.S. AXIH estimates that the opportunity at Ft. Bragg alone is 100 bridges and \$40 million in potential gross revenue.

² <http://www.infrastructurereportcard.org/fact-sheet/bridges>

AXIH Recent Financial Results

Balance Sheet as of 6/30/09:

- Current assets of \$655k included \$212k in cash and \$173k in receivables.
- Current liabilities of \$1.4 million included \$506k in accounts payable, \$346k in accrued liabilities and \$454k in short-term notes, and resulted in a working capital deficit of \$782k.
- Total assets of \$1.1 million included \$398k in machinery and equipment.
- Total liabilities of \$1.8 million included a \$350k senior secured convertible debenture.
- Accumulated deficit was \$4.5 million with a stockholders deficit of \$699k.

Operating Results for the Quarter Ended 6/30/09 (AXIH Fiscal Q3):

- Revenue for the quarter was \$567k and \$1 million for the 9 months ended 6/30/09. Revenue was generated from the sale of two thermoplastic composite bridges to the U.S. Army and 2,100 composite railroad ties to a major carrier.
- Gross profit was \$413k year to date and \$311k for Q3. Cost of goods sold consists primarily of direct / indirect labor, quality control and raw material costs.
- Gross margin year to date was 41% and 55% for Q3.
- Research & development expense of \$181k year to date are related to the development of molds, products and quality control processes. This expense also includes professional consulting fees and membership dues paid to technology organizations conducting research in polymer plastics.
- Marketing and sales expense was \$149k for Q3 and \$306k year to date. AXIH has added staff to improve technical sales support and has expanded the marketing staff.
- General and administrative expense was \$620k for Q3 and \$1.8 million year to date. This includes wages and salaries of the executive management team, consulting fees related to market opportunities and financing, travel, supplies, insurance, professional fees and patent defense costs.
- Depreciation and amortization of \$55k for Q3 and \$117k year to date is related to the purchase of additional molds and manifolds to support the manufacturing of an expanded product offering.
- Total operating expenses of \$842k for Q3 resulted in a \$532k loss from operations. Year to date operating expenses of \$2.4 million produced a loss from operations of \$2 million.
- Interest expense was \$98k for Q3 and \$202k year to date.
- Net loss for Q3 was \$630k, or (\$0.04) / share. Net loss year to date was \$2.2 million, or (\$0.15) per share.
- Net cash used in operations of \$1.8 million year to date was funded with \$2.04 million in proceeds from a short term note and \$1.6 million in issuance of common stock, net of a \$550k repayment of short-term notes.

AXIH Ownership and Share Count

MA Estimate of Potential Fully Diluted Common Share Count	Conversion / Exercise Price	Common Shares
Outstanding Common Share Count as of 8/14/09		16,524,282
September 2009 Shares Purchased at \$0.88 / Share		808,236
9/25/09 Private Placement - Restricted Common Shares Purchased at \$1.95 / share		500,000
9/25/09 Private Placement - 3 Year Warrants to Investors and Newbridge	\$3.13	100,000
Warrants associated with September 2009 Sale of 600,000 Units at \$1.00 / Unit*	\$0.90	1,600,000
Class A Warrants	\$5.36	95,473
Class B Warrants	\$5.96	95,473
Class E Warrants	\$4.74	188,018
Note Warrants issued 11/06	\$2.36	47,482
Series A Debentures	\$0.30	260,787
Series A Debentures	\$0.40	533,658
Series B Debentures	\$0.30	666,667
New Debentures	\$1.50	115,000
Outstanding Options as of 6/30/09 - Employees and Directors	\$1.132	480,000
Options - 5 year term - Vest at \$10 million in annual AXIH revenue	\$0.00002	190,519
Options - 5 year term - Vest at \$15 million in annual AXIH revenue	\$0.00002	285,779
Options - 5 year term - Vest at \$25 million in annual AXIH revenue	\$0.00002	285,779
Options - 5 year term - Vest at \$25 million in annual AXIH revenue	\$0.00002	381,038
		23,158,191

**Each unit also includes \$1.00 in principal of AXIH company debenture that may be converted into common stock at a price of \$0.90 per share and may receive interest of 12% payable in common shares*

Miscellaneous Stock Trading Information³:

- 52% of shares held by insiders and owners of 5% or more
- 1% of float held by institutions
- Average 3 Month Trading Volume: 47,695 shares
- Recent average 10-day trading volume: 53,863
- Float: 10.8 million

³ <http://finance.yahoo.com/q/mh?s=AXIH.OB>


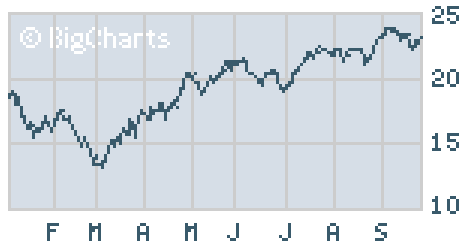

AXIH – Illustration of Potential Cash Flows

MA Illustration of Potential AXIH Cash Flows				
Rail Tie Revenue	\$6,500,000	\$16,250,000	\$32,500,000	\$48,750,000
Bridge Revenue	<u>\$5,000,000</u>	<u>\$20,000,000</u>	<u>\$30,000,000</u>	<u>\$40,000,000</u>
Total Revenue	\$11,500,000	\$36,250,000	\$62,500,000	\$88,750,000
Gross Profit at 35% Margin	\$4,025,000	\$12,687,500	\$21,875,000	\$31,062,500
R&D / Selling / General / Administrative / Depreciation / Amortization Expense	<u>\$3,300,000</u>	<u>\$4,000,000</u>	<u>\$6,000,000</u>	<u>\$8,000,000</u>
EBIT	\$725,000	\$8,687,500	\$15,875,000	\$23,062,500
Effective Tax Rate of 30%	<u>\$217,500</u>	<u>\$2,606,250</u>	<u>\$4,762,500</u>	<u>\$6,918,750</u>
Potential Earnings	\$507,500	\$6,081,250	\$11,112,500	\$16,143,750
Diluted shares	23,500,000	23,500,000	23,500,000	23,500,000
Potential EPS	\$0.022	\$0.259	\$0.473	\$0.687

Discussion of Assumptions Utilized in the Potential Cash Flow Illustration:

- **Rail Tie Revenue:** As noted in the Murphy Analytics Initiation Report on AXIH, the rail tie revenue figure is based on the \$32.8 million in revenue reported by North American Technologies Group (NAMC.PK). Although NAMC noted in a 9/1/09 Form 8-K that it has retained bankruptcy counsel resulting from a range of operational and capital challenges also discussed in the AXIH Initiation Report, the company's revenue history serves as a reference point for potential revenue for AXIH in the rail tie market. Rail tie revenue is presented as 20% to 150% of the NAMC fiscal 2008 results.
- **Bridge Revenue:** AXIH CEO James Kerstein's 10/9/09 Letter to Shareholders indicates the bridge revenue opportunity at Ft. Bragg alone is \$40 million. Bridge revenue is presented as 12.5% - 100% of this figure.
- **Gross Margin:** AXIH reported a gross margin of 54% for fiscal Q3 and 41% for the 9 months ended 6/30/09. 35% margin is an MA estimate.
- **R&D / Selling / General / Administrative / Depreciation / Amortization Expense:** Through the 9 months ended 6/30/09, AXIH reported \$2.4 million in total operating expenses, or approximately \$3.26 million annualized. The increases are MA estimates.
- **Effective Tax Rate:** Corporate and state taxes rate estimate adjusted for impact of depreciation and amortization.
- **Diluted Shares:** Previous table estimates approximately 23.2 common million shares inclusive of all warrants, convertible debentures, restricted common shares, options and warrants.

Infrastructure and Cleantech Index Overview

PowerShares Cleantech Portfolio Fund ⁴	iShares S&P Global Infrastructure Index Fund ⁵
<p style="text-align: center;">Year to Date Performance:</p> <p>PZD Daily </p> 	<p style="text-align: center;">Year to Date Performance:</p> 
<p>Top Holdings:</p> <ul style="list-style-type: none"> Siemens AG ABB Ltd. First Solar, Inc. Vestas Wind Systems Corning, Inc. Iberdrola Renovables Schneider Electric Autodesk Novozymes Tandberg 	<p>Top Holdings:</p> <ul style="list-style-type: none"> TRANSCANADA CORP ABERTIS INFRAESTRUCTURAS SA ENBRIDGE INC E.ON AG GDF SUEZ ATLANTIA SPA SPECTRA ENERGY CORP IBERDROLA SA TRANSURBAN GROUP WILLIAMS COS INC.
<p>Select Metrics as of 9/30/09:</p> <ul style="list-style-type: none"> Recent Price/Earnings Multiple: 20.9x Top Holding: 3.1% of the Fund Top Country Allocation: U.S. 53% Top Sectors: Industrials 61%, IT 24%, Utilities 6% Current Price: \$24.16 52 Week Low and High: \$12.84 - \$24.98 1 Year Performance: -37% Ticker: PZD 	<p>Select Metrics through 9/30/09:</p> <ul style="list-style-type: none"> Recent Price/Earnings Multiple: 18.6x Top Holding: 4.8% of the Fund Top Country Allocation: U.S. 22% Top Sectors: Industrials 40%, Utilities 40%, Energy 20% Current Price: \$33.35 Year to Date Performance: 15.4% 1 Year Performance: 11.7% Ticker: IGF
<p>Methodology: Based on the Cleantech Index™ (Index). The Fund will normally invest at least 90% of its total assets in securities that comprise the Index and ADRs based on the stocks in the Index. The Index is designed to track the leading cleantech companies, from a broad range of industry sectors that offer the best investment returns.</p>	<p>Methodology: The iShares S&P Global Infrastructure Index Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P Global Infrastructure Index.</p>

⁴ <http://www.invescopowershares.com/products/overview.aspx?ticker=PZD#perfchart>

⁵ http://us.ishares.com/product_info/fund/overview/IGF.htm?qt=IGF

AXIH Risks

As discussed in detail in AXIH's SEC filings, which should be read in conjunction with this report, the Company faces various risks, including:

- The Company may not be able to generate profits.
- The Company is dependent on the ability to raise capital from external funding sources.
- Company auditors have expressed substantial doubt about the ability to continue as a going concern.
- Company products are new and have limited acceptance in the marketplace.
- The Company's operations will be highly reliant on 3rd party manufacturers.
- The Company's ability to generate profitable operations most likely will be materially affected depending on the availability and cost of the materials.
- Existing and potential competitors may have significantly greater financial, marketing and research resources.
- Company is dependent upon senior management.
- The Company may not have adequate protection for the IP rights upon which the business depends.
- Management and affiliates own enough shares to have a substantial impact on shareholder votes.
- Environmental liabilities and regulations may have an adverse effect on Company business.
- Warrants, debentures, options, preferred stock and new capital raises have the potential to dilute common shareholders.
- The Company is involved in certain legal proceedings including an action against Tonga Partners et al in which the Company was awarded a summary judgment of \$4.9 million related to the disgorgement of short-swing profits. The defendants have indicated that they will appeal the order.

AXIH Historical Price Chart



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Overview of the OTC Bulletin Board⁶

The OTC Bulletin Board[®] (OTCBB) is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter (OTC) equity securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ[®] or a national securities exchange. OTCBB securities include national, regional, and foreign equity issues, warrants, units, American Depositary Receipts (ADRs), and Direct Participation Programs (DPPs). The OTCBB is a quotation medium for subscribing members, not an issuer listing service, and should not be confused with The NASDAQ Stock MarketSM. There are no minimum quantitative standards which must be met by an issuer for its securities to be quoted on the OTCBB; however, the new Eligibility Rule limits quotations on the OTCBB to the securities of issuers that are current in their reports filed with the SEC or other regulatory authority. Issuers do not have any filing or reporting requirements with The NASDAQ Stock Market, Inc., or FINRA. Market Makers will be required to provide the periodic financial reports filed by OTCBB issuers with the SEC or other regulatory authorities pursuant to the Eligibility Rule. NASDAQ has no business relationship with the issuers of securities quoted on the OTCBB. Investors must contact a broker/dealer to trade OTCBB securities. Investors do not have direct access to the OTCBB service. The Securities and Exchange Commission's (SEC's) Order-Handling Rules which apply to NASDAQ-listed securities do not apply to OTCBB securities. It is important to note that FINRA has no regulatory authority over OTC Bulletin Board issuers. FINRA's responsibilities include establishing rules governing its broker/dealer members' business conduct; setting qualification standards for securities industry professionals; examining members for their financial and operational condition as well as their compliance with appropriate rules and regulations; investigating alleged violations of securities laws; disciplining violators of applicable rules and regulations; and responding to inquiries and complaints from investors and members. Due to the high level of risk involved in investing in Penny Stocks, the SEC created Rule 15g-2, which makes it "unlawful for a broker or dealer to effect a transaction in any penny stock for or with the account of a customer unless, prior to effecting such transaction, the broker or dealer has furnished to the customer a document containing the information set forth in Schedule 15G, Rule 15g-100, and has obtained from the customer a manually signed and dated written acknowledgement of receipt of the document." (SEC Rule 15g-2(a), Risk Disclosure Document Relating to the Penny Stock Market). If you believe that you have been defrauded by an OTC Bulletin Board issuer, you may file a complaint with your State Securities Regulator or contact the SEC's Office of Investor Education and Assistance.

⁶ <http://www.otcbb.com/investorinformation/investorinfo.stm>