News Release

FOR IMMEDIATE RELEASE

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American Power Group Corporation Reports Fourth Quarter And Fiscal 2016 Results

Lynnfield, MA –January 17, 2017 – American Power Group Corporation (OTCQB: APGI), today announced results for the three months and fiscal year ended September 30, 2016.

Lyle Jensen, American Power Group Corporation's Chief Executive Officer stated, "As we enter 2017, we remain optimistic that the last half of 2016 has marked the end of a challenging two year period where we saw more than 80% of the production oil drill rigs idled midway through the year. With that said, we are very pleased with the 57% year over year revenue growth in our North American vehicular dual fuel markets and the 17% revenue growth in our International vehicular dual fuel markets. With the support of our Board of Directors and lead investors, we have successfully restructured $3.0 million of long term debt, are in discussions regarding an additional $1.7 million of long term debt and have secured a commitment for additional operating capital which will allow us to emerge from this oil crisis with better market metrics and improved performance expectations."

Mr. Jensen continued, "We enter 2017 with many positive market signs that position us for improving results. A few of the more significant trends to mention are:

- West Texas Intermediate oil prices are currently 89% higher than their lows in early 2016 and with a 67% increase in the number of operating oil rigs since mid-2016, we have seen a positive trend in our stationary dual fuel quotation activity over the past two quarters. Our fiscal 2017 year-to-date stationary revenue plus firm stationary order backlog is already 3.6X times higher than our total fiscal 2016 stationary conversion revenue and we are only in the fourth month of our new fiscal year.
- The Department of Energy recently reported the U.S. average retail price for diesel is up 17% from a year ago positively impacting the price spread between diesel and natural gas motivating move fleets to re-consider dual fuel conversions.
- The markets for the Natural Gas Liquids ("NGLs") which are produced by our Trident flare capture business are up over 400% from their early 2016 lows which led to the idling of many rigs and delaying numerous flare capture opportunities. Our flare capture service quotations are on the rise as we aggressively work to get our three systems deployed as soon as possible.

Mr. Jensen concluded, "During 2016, we continued to strengthen our dual fuel leadership position with more EPA IUL approvals, additional California CARB EO Certifications, expanded markets in Canada, Mexico and Latin America which we believe will serve us well in 2017 and beyond."

Conference Call

Please join us today at 10:00 AM Eastern when we will discuss the results for the three months and fiscal year ended September 30, 2016. To participate, please call 1-800-289-0498 and ask for the American Power Group call using pass code 1802679. A replay of the conference call can be accessed until 11:50 PM on January 31, 2017 by calling 1-888-203-1112 and entering pass code 1802679.

Three Months ended September 30, 2016 Compared to the Three Months ended September 30, 2015

Net sales for the three months ended September 30, 2016 decreased $638,000 or 73 percent to $235,000 as compared to net sales of $873,000 for the three months ended September 30, 2015. Due to increased oil reserves and a decrease in the growth rate of demand throughout certain parts of the world, the price of oil in the U.S. has dropped to the $35 - $50 per barrel range from almost $100 per barrel over a year ago, which has resulted in a decrease in diesel prices during the past two fiscal year causing the price spread between diesel prices and natural gas to tighten. Because our dual fuel technology displaces higher cost diesel fuel with lower cost and cleaner burning natural gas, the 2016 decrease in oil/diesel pricing has resulted in a significant reduction in the number of oil and gas drilling rigs in operation and has impacted the timing of dealer restocking orders and the implementation schedules of existing and prospective customers.

North American stationary revenues for the three months ended September 30, 2016, decreased $319,000 or 94 percent to $21,000 as compared to $340,000 for the three months ended September 30, 2015. The decrease was primarily due lower active drilling rigs.

Domestic vehicular revenues for the three months ended September 30, 2016 decreased $381,000 or 78 percent to $105,000 as compared to $486,000 for the three months ended September 30, 2015 based on the timing of dealer orders. International vehicular revenues for the three months ended September 30, 2016 were $110,000 as compared to no revenues for the three months ended September 30, 2015. The increase was attributable to shipments to our distributor in Mexico where the price differential between diesel and natural gas is higher than in the United States and emission reduction is becoming a significant driver for dual fuel.

During the three months ended September 30, 2016 our gross loss was $405,000 or 172 percent of net sales as compared to a gross loss of $121,000 or 14 percent of net sales for the fiscal year ended September 30, 2015. The increase in gross loss was primarily due to an increase in fixed overhead costs including capitalized software amortization and approximately $51,000 of expenses relating to our Trident NGL Services division which had no revenue during the quarter.

Selling, general and administrative expenses for the three months ended September 30, 2016 decreased $263,000 or 29 percent to $903,000 as compared to $1,166,000 for the three months ended September 30, 2015. The decrease was primarily due to lower sales and marketing expenses as compared to the three months ended September 30, 2015.

During the three months ended September 30, 2016, interest and financing costs increased $33,000 to $199,000 as compared to $166,000 for the three months ended September 30, 2015 due to increased borrowings during the later portion of the three months ended September 2015 which were outstanding for the entire comparable 2016 quarter.

During the three months ended September 30, 2016, we recorded a non-cash extinguishment of debt expense of $448,000 associated the September 2016 refinancing of our Iowa State Bank obligations.

During the three month ended September 30, 2016, the revaluation of our warrant liability to fair value resulted in non-cash revaluation expense of $21,000 as compared to a non-cash revaluation expense of $182,000 for the three months ended September 30, 2015.

Our net loss for the three months ended September 30, 2016 was $1,754,000 or $0.03 per basic share as compared to net loss of $1,645,000 or $0.03 per basic share for the three months ended September 30, 2015. The calculation of net loss per share available for Common shareholders for the three months ended September 30, 2016 reflects the inclusion of Convertible Preferred Stock dividends of $339,000. The calculation of net loss per share available for Common shareholders for the three months ended September 30, 2015 reflects the inclusion of Convertible Preferred Stock dividends of $284,000.

Twelve Months ended September 30, 2016 Compared to the Twelve Months ended September 30, 2015

Net sales for the fiscal year ended September 30, 2016 decreased $1,096,000 or 59 percent to $1,863,000 as compared to net sales of $2,959,000 for the fiscal year ended September 30, 2015. Due to increased oil reserves and a decrease in the growth rate of demand throughout certain parts of the world, the price of oil in the U.S. has dropped to the $35 - $50 per barrel range from almost $100 per barrel over a year ago, which has resulted in a decrease in diesel prices during the past two fiscal year causing the price spread between diesel prices and natural gas to tighten. Because our dual fuel technology displaces higher cost diesel fuel with lower cost and cleaner burning natural gas, the 2016 decrease in oil/diesel pricing has resulted in a significant reduction in the number of oil and gas drilling rigs in operation and has impacted the timing of dealer restocking orders and the implementation schedules of existing and prospective customers.

North American stationary revenues for the fiscal year ended September 30, 2016, decreased $1,497,000 or 77 percent to $439,000 as compared to $1,936,000 for fiscal year ended September 30, 2015. The decrease was primarily due to the idling of over 70% of the drilling rigs in North America over the past year and slower capital expenditures in the oil and gas industry.

Domestic vehicular revenues for the fiscal year ended September 30, 2016 increased $364,000 or 57 percent to $1,007,000 as compared to $643,000 for the fiscal year ended September 30, 2015. The increase was attributable to renewed interest in the Glider market. Our distributors find it beneficial to offer Gliders with a dual fuel option. A Glider is new tractor with rebuilt or remanufactured powertrain components and in some cases can weigh 1,000 pounds less than a new truck making it more cost effective to operate.

International vehicular revenues for the fiscal year ended September 30, 2016 increased $55,000 or 16 percent to $387,000 as compared to $332,000 for the fiscal year ended September 30, 2015. The increase was attributable to shipments to our distributor in Mexico where the price differential between diesel and natural gas is higher than in the United States and emission reduction is becoming a significant driver for dual fuel.

During the fiscal year ended September 30, 2016 our gross loss was $1,195,000 or 64 percent of net sales as compared to a gross loss of $167,000 or 6 percent of net sales for the fiscal year ended September 30, 2015. The increase in gross loss was primarily due to an increase in fixed overhead costs including capitalized software amortization and approximately $418,000 of expenses relating to our Trident NGL Services division which only had $30,000 of revenue during fiscal 2016.

Selling, general and administrative expenses for the fiscal year ended September 30, 2016 decreased $93,000 or 2 percent to $4,085,000 as compared to $4,180,000 for the fiscal year ended September 30, 2015. The decrease was primarily due to lower sales and marketing expenses as compared to the fiscal year ended September 30, 2015.

During the fiscal year ended September 30, 2016, interest and financing costs increased $425,000 to $807,000 as compared to $382,000 for the fiscal year ended September 30, 2015 due to increased borrowings at higher interest rates during the later half of fiscal 2015.

In addition, during the fiscal year ending September 30, 2016, we recorded additional non-cash financing expenses of $1,557,000 resulting from the recognition of the discount upon conversion of our June 2015 contingent convertible promissory notes.

During the fiscal year ended September 30, 2016, we recorded a non-cash extinguishment of debt expense of $448,000 associated with the September 2016 refinancing of our Iowa State Bank obligations. During fiscal year ended September 30, 2015 we recorded a non-cash expense of $454,000 associated with the term extension of certain outstanding warrants held by the individuals or affiliates who participated in our June 2015 private placement of Contingent Convertible Promissory Notes.

During the fiscal year ended September 30, 2016, the revaluation of our warrant liability to fair value resulted in non-cash revaluation income of $186,000 as compared to a non-cash revaluation income of $5,774,000 for the fiscal year ended September 30, 2015.

Our net loss for the fiscal year ended September 30, 2016 was $7,559,000 or $0.13 per basic share as compared to net income of $474,000 or $0.01 per basic share for the fiscal year ended September 30, 2015. The calculation of net loss per share available for Common shareholders for the fiscal year ended September 30, 2016 reflects the inclusion of Convertible Preferred Stock dividends of $1,299,000 and a beneficial conversion feature of $1,551,000. The calculation of net loss per share available for Common shareholders for the fiscal year ended September 30, 2015 reflects the inclusion of Convertible Preferred Stock dividends of $1,126,000 and $395,000 beneficial conversion feature for Series B, preferred stock.

Condensed Consolidated Balance Sheet Data

	September 30, 2016	September 30, 2015
Assets		
Current assets	$ 1,890,000	$ 2,578,000
Property, plant and equipment, net	3,790,000	3,739,000
Other assets	4,113,000	4,695,000
	$ 9,793,000	$ 11,012,000
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities	$ 3,020,000	$ 5,576,000
Notes payable, net of current portion	2,153,000	2,205,000
Warrant liability	37,000	223,000
Notes payable, related parties, non-current	2,741,000	2,728,000
Obligations due under lease settlement, net of current portion	212,000	506,000
Stockholders' equity (deficit)	1,630,000	(226,000)
	$ 9,793,000	$ 11,012,000

Condensed Consolidated Statements of Operations

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net sales	$ 235,000	$ 873,000	$ 1,863,000	$ 2,959,000
Cost of sales	640,000	994,000	3,058,000	3,126,000
Gross loss	(405,000)	(121,000)	(1,195,000)	(167,000)
Selling, general and administrative	903,000	1,166,000	4,085,000	4,180,000
Operating loss from continuing operations	(1,308,000)	(1,287,000)	(5,280,000)	(4,347,000)
Other income (expense):				
Interest and financing expense	(199,000)	(166,000)	(807,000)	(382,000)
Discounts on contingent convertible debt	-	-	(1,557,000)	-
Loss on extinguishment of debt	(448,000)	-	(448,000)	-
Warrant extension expense	-	-	-	(454,000)
Revaluation of warrants	(21,000)	(182,000)	186,000	5,774,000
Other, net	222,000	(10,000)	347,000	(117,000)
Other (expense) income, net	(446,000)	(358,000)	(2,279,000)	4,821,000
Net (loss) income	(1,754,000)	(1,645,000)	(7,559,000)	474,000
Convertible Preferred dividends	(340,000)	(284,000)	(1,299,000)	(1,125,000)
Convertible Preferred beneficial conversion feature	-	-	(1,551,000)	(395,000)
Net loss available to Common shareholders	$ (2,094,000)	$ (1,929,000)	$ (10,409,000)	$ (1,046,000)
Net (loss) income from continuing operations per share	$ (0.03)	$ (0.03)	$ (0.13)	$ 0.01
Net loss per Common share – Convertible Preferred dividend	(0.01)	(0.01)	(0.02)	(0.02)
Net loss per Common share – Convertible Preferred Stock beneficial conversion feature	-	-	(0.03)	(0.01)
Net loss attributable to Common Stockholders per share, basic	$ (0.03)	$ (0.04)	$ (0.18)	$ (0.02)
Weighted average shares outstanding, basic	60,221,000	51,852,000	58,317,000	51,405,000
Weighted average shares outstanding, diluted	60,221,000	51,852,000	58,317,000	51,405,000

About American Power Group Corporation

American Power Group's subsidiary, American Power Group, Inc. provides cost effective products and services that promote the economic and environmental benefits of our alternative fuel and emission reduction technologies. Our patented *Turbocharged Natural Gas® Dual Fuel Conversion Technology* is a unique non-invasive software driven solution that converts existing vehicular and stationary diesel engines to run concurrently on diesel and various forms of natural gas including compressed natural gas, liquefied natural gas, conditioned well-head/ditch gas or bio-methane gas with the flexibility to return to 100% diesel fuel operation at any time. Depending on the fuel source and operating profile, our EPA and CARB approved dual fuel conversions seamlessly displace 45% - 65% of diesel fuel with cleaner burning natural gas resulting in measurable reductions in nitrogen oxides (NOx) and other diesel-related emissions. Through our *Trident Associated Gas Capture and Recovery Technology*, we provide oil and gas producers a flare capture service solution for associated gases produced at their remote and stranded well sites. These producers are under tightening regulatory pressure to capture and liquefy the flared gases at their remote and stranded well sites or face significant oil output reductions. With our proprietary Fueled By Flare™ process technology we can convert these captured gases into natural gas liquids ("NGL") which can be sold as heating fluids, emulsifiers, or be further processed by refiners. Given pending federal methane capture regulations, we anticipate our next generation NGL processing systems will have the capability to convert the residual flared methane into pipeline quality natural gas that can be sold for a variety of dedicated and dual fuel vehicular, stationary, industrial and household uses. See additional information at: www. americanpowergroupinc.com

Caution Regarding Forward-Looking Statements and Opinions

With the exception of the historical information contained in this release, the matters described herein contain forward-looking statements and opinions, including, but not limited to, statements relating to new markets, development and introduction of new products, and financial and operating projections. These forward-looking statements and opinions are neither promises nor guarantees, but involve risk and uncertainties that may individually or mutually impact the matters herein, and cause actual results, events and performance to differ materially from such forward-looking statements and opinions. These risk factors include, but are not limited to, the fact that, our dual fuel conversion business has lost money in the last seven consecutive fiscal years and our flare gas capture and recovery business has yet to generate measurable revenues, the risk that we may require additional financing to grow our business, the fact that we rely on third parties to manufacture, distribute and install our products, we may encounter difficulties or delays in developing or introducing new products and keeping them on the market, we may encounter lack of product demand and market acceptance for current and future products, we may encounter adverse events economic conditions, we operate in a competitive market and may experience pricing and other competitive pressures, we are dependent on governmental regulations with respect to emissions, including whether EPA approval will be obtained for future products and additional applications, the risk that we may not be able to protect our intellectual property rights, factors affecting the Company's future income and resulting ability to utilize its NOLs, the fact that our stock is thinly traded and our stock price may be volatile, the fact that we have preferred stock outstanding with substantial preferences over our common stock, the fact that the conversion of the preferred stock and the exercise of stock options and warrants will cause dilution to our shareholders, the fact that we incur substantial costs to operate as a public reporting company and other factors that are detailed from time to time in the Company's SEC reports, including the report on Form 10-K for the year ended September 30, 2016 and the Company's quarterly reports on Form 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements and opinions, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements and opinions that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.