

16 January 2017**AirXpanders issues Shareholder Newsletter**

PALO ALTO, CA, United States — AirXpanders, Inc. (ASX: AXP) (AirXpanders or Company), a medical device company focused on the design, manufacture, sale and distribution of the AeroForm® Tissue Expander System, has lodged its Shareholder Newsletter with the ASX today.

The newsletter is available in digital-only format. Those interested in receiving Company news should register at www.airxpanders.com/contact-us/.

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About AirXpanders:

Founded in 2005, AirXpanders, Inc. (www.airxpanders.com) designs, manufactures and markets innovative medical devices to improve breast reconstruction. The company's flagship product, the AeroForm Tissue Expander System, is used in patients undergoing two-stage breast reconstruction following mastectomy. Headquartered in Palo Alto, California, AirXpanders is committed to providing patients and surgeons with best-in-class products that are made under strict design and quality standards. AirXpanders' vision is to be the global leader in reconstructive surgery products and to become the standard of care in two-stage breast reconstruction. AirXpanders is a publically listed company on the Australian Securities Exchange under the symbol AXP. AeroForm received U.S. FDA *de novo* clearance in 2016, first CE mark in Europe in 2012 and is currently licensed for sale in Australia.

Forward-Looking Statements

This announcement contains or may contain forward-looking statements that are based on management's beliefs, assumptions and expectations and on information currently available to management. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation U.S. commercial market acceptance and U.S. sales of our product, our expectations with respect to our ability to commercialize our products; our ability to develop and commercialize new products including our ability to obtain reimbursement for our products; our expectations with respect to our regulatory submissions and approvals, including approval timelines; our expectations with respect to the integrity or capabilities of our intellectual property position. Management believes that these forward-looking statements are reasonable as and when made. You should not place undue reliance on forward-looking statements because they speak only as of the date when made. AirXpanders does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. AirXpanders may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

For more information, refer to the Company's website at www.airxpanders.com.


Scott Dodson CEO

Highlights

- Message from the CEO
- U.S. Market commercialisation plans
- CE Mark and Australian market approval for enhanced version of AeroForm®
- Increasing our manufacturing capacity
- Two plastic surgeon leaders recognised in connection with AeroForm®
- AirXpanders in the News

A message from the CEO

Dear investors,

As you will be aware, we were absolutely thrilled to announce that the U.S. Food and Drug Administration (FDA) has granted us *de novo* marketing authorisation for the AeroForm® Tissue Expander System last month. This announcement is a major milestone for the Company, and was a key driver for our IPO. Importantly, it now allows us to commence the commercialisation journey and sell the AeroForm device in the U.S., the largest medical device market in the world.

The market opportunity for AirXpanders in the U.S. is significant, with the country's mastectomy rates continuing to rise and growing numbers of women undergoing breast reconstruction. The company is confident AeroForm can positively impact the reconstruction process for women throughout the country.

We have been working towards this milestone for some time. As our investors are aware, our experience in the Australian market has provided many positive learnings that have shaped our strategy for the U.S.

To ensure we are ready for an imminent market release, AirXpanders has already engaged in a wide range of preparatory activities, including hiring the first tier of sales personnel; dialogue with selected physicians and hospitals across the U.S.; as well as conducting early industry and patient awareness initiatives. For more detail, see our article on page 2 of this newsletter.

We're also very pleased to have achieved CE Mark in late December 2016, for the AeroForm with an enhanced inner film. We filed this application in October 2016, as an update to the existing CE Mark, to enable us to market the AeroForm device with the new film in Europe. We have also received approval to market this device in Australia, post receipt of CE Mark. We have commenced shipping the updated product to Australia, as of this month.

This is the same updated device that we have submitted to the U.S. Food and Drug Administration as a traditional 510(k) pre-market notification application for which we anticipate FDA response/clearance in Q2 2017.

We are excited about the opportunities ahead for AirXpanders and on behalf of the Board and Management, we truly appreciate the support of our investors. Please feel free to drop me a line with any feedback at sdodson@airxpanders.com.

Yours sincerely,

Scott Dodson

President and CEO
AirXpanders Inc

Ready to launch: AeroForm enters the U.S. Market

The U.S. represents a US\$800 million+ potential market opportunity for AeroForm, making it our most significant geographic market. Armed with the learnings from our Australian experience, we have been quietly preparing for a U.S. launch while awaiting FDA *de novo* market authorisation. We believe there is significant pent up demand for AeroForm in this market as a result of the strong industry presence we have built up through attendance at the major industry conferences, publication of peer reviewed articles and engagement with key opinion leaders.

With the U.S. regulatory *de novo* marketing authorisation now in place, we are poised to commence our commercial launch – so what will this look like?

We will commence with an initial launch that will target 12+ sites that have participated in our pivotal and continued access trials. We will focus on high volume academic and community sites. Our aim is to build a deep presence at these first sites – to gain the majority share with surgeons who have already had exposure to AeroForm. In parallel, we will be recruiting and training new surgeons at these sites; and working with the nursing, billing and inventory teams to ensure a seamless on-boarding process.

Following completion of this phase, and upon receiving 510(k) clearance for a newer version of AeroForm with an enhanced inner film (which has received CE Mark), we will move into full commercial launch and extend our marketing throughout the U.S. We have

pre-identified 120+ customer targets from our extensive presence at industry conferences and in-bound enquiries.

We filed the 510(k) application for the enhanced film to the FDA in early January. We expect to receive an FDA response/clearance for this modification in Q2 2017.

We have commenced recruitment of our hybrid sales force which will consist of direct and commission only representatives. We have a targeted, phased hiring schedule, and have already identified and engaged with our new recruits. We intend to have 10 direct representatives and 12 commission only representatives in place by the end of calendar year 2017. The phased hiring will mirror our planned commercial rollout.



Dr Thomas Lam (R) with Dr Rod Rohrich (L). Dr Lam was awarded "Best Oceanic Paper" at the Plastic and Reconstructive Surgery - Global Open (PRS GO) for his paper entitled 'Evaluation of AirXpanders for Breast Reconstruction: Early Experience in Sydney'

Two plastic surgeon leaders recognised in connection with AeroForm

AirXpanders has been committed to engaging with key opinion leaders and plastic surgeons in the United States and Australia, to garner recognition and further clinical validation of the AeroForm device. Recently, two clinicians who have used AeroForm with patients in clinical practice or in the XPAND trial, have achieved awards for their research papers which detail the use of AeroForm in breast reconstruction.

Jenny Saldaña, BA, a Patient Navigator for Columbia Presbyterian Medical Center, received the first-place award for her poster presentation in the Clinical Research category at the Academy of Oncology Nurse & Patient Navigators' (AONN+) Seventh Annual Navigation & Survivorship Conference in Las Vegas. Her poster was titled "A Novel Approach for Two-Stage Breast Reconstruction: Patient

Controlled Tissue Expansion using the AeroForm CO₂ Tissue Expander System". The Academy of Oncology Nurse & Patient Navigators (AONN+) is the largest national specialty organisation dedicated to improving patient care and quality of life by defining, enhancing, and promoting the role of oncology nurse and patient navigators.

Additionally, Dr Thomas Lam (FRACS) was awarded "Best Oceanic Paper" by Plastic and Reconstructive Surgery – Global Open (PRS GO) for his paper entitled 'Evaluation of AirXpanders for Breast Reconstruction: Early Experience in Sydney'. Plastic and Reconstructive Surgery – Global Open, is a companion journal to the American Society of Plastic Surgeons' flagship publication, Plastic and Reconstructive Surgery, and is an open access, rigorously peer-reviewed, international journal focusing on global plastic and reconstructive surgery.



MIT Technology Review

Device Lets Cancer Patients Assist in Their Own Breast Reconstruction, at Home

3 November 2016

<http://bit.ly/2eWOULo>

Daily Mail

DIY breast reconstruction: Ground-breaking 'remote control' device lets women finish the procedure at home - cutting out months of painful injections

16 November 2016

<http://dailym.ai/2hhXk1L>

The Australian

Stock Picks for the Year ahead

3 December 2016

<http://bit.ly/2h7tgms>

Surgical Products

AeroForm is poised to change the process of preparing for reconstructive surgery after mastectomy

14 December 2016

<http://bit.ly/2gJvQIV>

Bioshares

Top Six Top Picks – 2017: AirXpanders added to the Bioshares Top Six Stock pics for the second consecutive year.

16 December 2016

Huffington Post Australia

Women Fighting Breast Cancer Need To Know About Breast Reconstruction – highlights important aspects of the issue of breast reconstruction.

19 October 2016

<http://huff.to/2glNIS3>

The Australian

AirXpanders boosted by US *de novo* clearance
Medical device developer AirXpanders has received US clearance for its product used in breast reconstruction, driving its share price more than 12 per cent higher.

22 December 2016

<http://bit.ly/2iWmKjs>

Mass Device

AirXpanders's AeroForm Tissue Expander transforms decades old procedure

5 January 2017

<http://bit.ly/2jwrFLf>



Increasing our manufacturing capacity: Update on Costa Rica manufacturing line

With FDA *de novo* marketing authorisation secured, AirXpanders continues to make progress on our manufacturing transfer to Costa Rica. We have installed our first production line in Costa Rica, which will allow for manufacturing to commence there according to schedule. The Costa Rica manufacturing plant is owned and operated by Vention Medical, which is currently registered with FDA and is one of the largest medical device production companies in the world.

The addition of this new line will help decrease manufacturing costs

and increase production volume of AeroForm which will help drive greater margins.

While the capacity of the manufacturing line is expected to be in the range of 15,000 to 20,000 units per year, the Company has the ability to install a second line with equal capacity, a move expected to commence in the second half of 2017.

AirXpanders will maintain its original, existing manufacturing capability in Palo Alto, California.

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AirXpanders is moving to digital-only news. Visit www.airxpanders.com/contact-us/ and register to receive news and updates from AirXpanders each quarter.