

27 January 2017

Appendix 4C – Quarterly Cash Flow Report and Business Update

Highlights for the quarter ended 31 December 2016

- Increased unit sales of 27% compared to Q3 2016
- Targeted market release commenced post FDA *de novo* clearance
- Cash balance as of 31 December 2016 of US\$11.5 million

Palo Alto, CA, United States – AirXpanders, Inc. (ASX: AXP), a medical device company focused on the design, manufacture, sale and distribution of the AeroForm® Tissue Expander System, today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 31 December 2016.

Unit sales increased 27% to 107 units compared to the third quarter of 2016. Receipts from customers decreased in the quarter, reflecting an increase in days sales outstanding from 32 days at the end of the third quarter to 46 days at the end of the current quarter.

Upon receipt of U.S. Food and Administration (FDA) *de novo* clearance for the AeroForm Tissue Expander System in December 2016, AirXpanders commenced with its previously communicated targeted market release plans. The Company has hired its initial sales team, who will begin selling activities at high volume academic and community hospitals that participated in Airxpander’s pivotal and continued access trials, as the Company broadens surgeon training and refines processes for seamless on-boarding with nursing, billing and inventory.

The Company had a cash balance of US\$11.5 million as of 31 December 2016. Cash outflow during the quarter was US\$6.1 million, compared to US\$5.7 million in the previous quarter.

- ENDS -

Company	Investor relations
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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 AeroForm Tissue Expander System, is used in patients undergoing two-stage breast reconstruction following mastectomy. Headquartered in Palo Alto, California, 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 was granted U.S. FDA *de novo* marketing authorization 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. These include, without limitation, U.S. commercial market acceptance and U.S. sales of our product, as well as our expectations with respect to our ability to develop and commercialize new products, including our ability to obtain reimbursement for our products; ability to become the global leader in reconstructive surgery products and to become the standard of care in two-stage breast reconstruction.

Management believes that these forward-looking statements are reasonable 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. 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.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AirXpanders Inc

ABN

28 604 398 423

Quarter ended ("current quarter")

December 31, 2016

Consolidated statement of cash flows	Current quarter Q4 US\$ '000	Year to date (12 months) US\$ '000
1. Cash flows from operating activities		
1.1 Receipts from customers	154	548
1.2 Payments for		
(a) research and development	(743)	(1,805)
(b) product manufacturing and operating costs	(1,278)	(3,661)
(c) advertising and marketing	(376)	(1,866)
(d) leased assets	-	-
(e) staff costs	(2,242)	(8,326)
(f) administration and corporate costs	(1,129)	(4,013)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(23)	(294)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,637)	(19,417)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(137)	(928)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter Q4 US\$ '000	Year to date (12 months) US\$ '000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(137)	(928)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	14,890
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	4	5
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(681)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(375)	(1,500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(371)	12,714

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	17,652	19,138
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,637)	(19,417)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(137)	(928)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(371)	12,714

Consolidated statement of cash flows		Current quarter Q4 US\$ '000	Year to date (12 months) US\$ '000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	11,507	11,507

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	11,507	17,652
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,507	17,652

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
45
-

Payments represent remuneration paid to the Board of Directors and President & Chief Executive Officer.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	-	\$1,215
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

In January 2014, the Company borrowed \$3,500,000 under a loan and security agreement with a financial institution which expires in July 2017. Interest is paid monthly on the principal amount at 7.34%. The loan is secured by substantially all of the Company's assets, excluding intellectual property. Under the terms of the agreement, interest-only payments were made monthly through March 2015, with principal payments commencing in April 2015, due in 28 equal monthly installments. A fee of \$271,250 is due at maturity, which is being accrued over the term of the loan. The Company can prepay the entire loan amount by providing a written five-day notice prior to such prepayment and pay all outstanding principal, interest and prepayment fees plus any default fees and all other sums that shall have become due and payable.

9. Estimated cash outflows for next quarter	US\$'000
9.1 Research and development	(1,352)
9.2 Product manufacturing and operating costs	(305)
9.3 Advertising and marketing	(520)
9.4 Leased assets	
9.5 Staff costs	(3,900)
9.6 Administration and corporate costs	(748)
9.7 Other (provide details if material)	
- Payments for property, plant and equipment	(350)
- Repayment of borrowings	(375)
9.8 Total estimated cash outflows	(7,550)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N /A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



27 January 2017

Sign here:
(Company secretary)

Date:

Print name: Brendan Case

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.