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13 August 2018

***Not for release to US wire services or distribution in the United States***

## Notice of dispatch

**San Jose, CA, United States – AirXpanders, Inc. (ASX: AXP) (AirXpanders or Company)** confirms that it has today dispatched the U.S. Prospectus, Australian Offer Booklet and personalised Entitlement and Acceptance Forms to Eligible Holders (as defined in the U.S. Prospectus and Australian Offer Booklet) in relation to the underwritten pro rata, non-renounceable rights offering announced to the market on 3 August 2018 (**Rights Offering**). Copies of these documents are attached.

The Rights Offering is now open for acceptance by Eligible Holders and is currently scheduled to close at 5:00pm (AEST) on Wednesday, 22 August 2018.

Eligible Holders who have questions relating to the Rights Offering should call AirXpanders' CDI registry, Computershare Investor Services Pty Limited, on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 8.30am and 5.00pm (AEST) on business days during the offer period.

- ENDS -

<b><i>Company</i></b>	<b><i>Investor relations</i></b>
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### About AirXpanders:

Founded in 2005, AirXpanders, Inc. ([www.airxpanders.com](http://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 publicly 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, including those related to the completion, timing and use of proceeds relating to the proposed offerings are forward-looking statements. These include, without limitation, risks and uncertainties related to market conditions and the satisfaction of customary closing conditions related to the proposed offerings.

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 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 additional information and considerations regarding the risks faced by AirXpanders that could cause actual results to differ materially, see its most recent Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on July 31, 2018 (U.S. time), and in the Registration Statement on Form S-1 (including the final prospectus) related to the Rights Offering, including under the caption "Risk Factors" as well as other periodic reports filed with the SEC from time to time. AirXpanders disclaims any obligation to update information contained in any forward-looking statement, except as required by law.

For more information, refer to the Company's website at [www.airxpanders.com](http://www.airxpanders.com).

Before you invest, you should read the U.S. Prospectus and other documents the Company has filed with the SEC for more complete information about the Company and the Rights Offering. You may get these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov).



AIRXPANDERS, INC.

**Rights Offering for Shares of Class A Common Stock represented by CHES Depositary Interests**

We are distributing to you, holders of Class A Common Stock (**common stock**), as may be represented by CHES Depositary Interests ("CDIs"), at no charge, a non-transferable right to purchase fifteen (15) CDIs for every sixteen (16) CDIs (or forty-five (45) CDIs for every sixteen (16) shares of common stock) you own of record at 7:00 p.m., Australian Eastern Standard Time, on August 8, 2018, at an issue price of A\$0.075 per CDI (representing A\$0.225 per share of common stock). Fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs. As of the date of this prospectus, there were 96,077,279 shares of common stock outstanding (equivalent to 288,231,837 CDIs). This offering (**rights offering**) is being made only to holders of our common stock or CDIs with a registered address in Australia or New Zealand. There is no minimum amount of proceeds necessary for us to close the rights offering. The estimated net proceeds of the rights offering will be A\$14,092,091 (subject to the effects of the rounding of entitlements).

**The rights offering closes at 5:00 p.m., Australia Eastern Standard time, on August 22, 2018, unless extended by us.** Any rights that are not taken up at the end of the offer period will lapse without any payment to the holders of those unexercised rights. You should carefully consider whether to take up your rights prior to the expiration of the rights offering. The manner in which rights may be accepted is described in detail under the heading "The Rights Offering — Method of Purchase — Acceptance of Rights." If you intend to take up your rights, you should be careful to comply with these procedures.

**Investing in our securities involves a high degree of risk. We urge you to carefully read the "Risk Factors" section beginning on page 9, where we describe risks associated with the rights offering, before you make your investment decision.**

Computershare Investor Services Pty Limited will hold the funds we receive from subscribers until we complete, abandon or terminate the rights offering.

Our board of directors reserves the right to terminate the rights offering for any reason any time before the completion of the rights offering. If we terminate the rights offering, all subscription payments received will be returned as soon as practicable, without interest or penalty.

Our common stock is listed on the Australian Securities Exchange, or ASX, under the ticker "AXP", in the form of CDIs. The last reported sale price of our common stock on July 31, 2018 (Australia Eastern Standard time) was \$0.2207 per share (based upon the price for a CDI of A\$0.099 and exchange rate of \$0.74307 per A\$1.00).

	Per CDI	Per Share	
	(\$A)	(in USD)	Total (in USD)
Aggregate proceeds <sup>(1)</sup>	\$0.0750	\$0.1672	\$11,641,703
Compensation to underwriter	\$0.0031	\$0.0069	\$640,294
Proceeds to AirXpanders <sup>(2)</sup>	\$0.0719	\$0.1603	\$10,971,409

(1) Based on 69,631,266 shares of common stock (or 208,893,798 equivalent CDIs) expected to be issued under this U.S. Prospectus.

(2) Before estimated offering expenses payable by us.

In this prospectus, all references to \$ means U.S. dollars and all references to A\$ means Australian dollars.

[Table of Contents](#)

**Our board of directors is making no recommendation regarding your participation in the rights offering. You should carefully consider whether to exercise your rights before the expiration date. You may not revoke or revise any exercises of rights once made unless we terminate the rights offering.**

Certain funds affiliated with Vivo Ventures, one of our largest stockholders (**Vivo Ventures**), and Barry Cheskin, our non-executive Chairman, have agreed to purchase a total of 20,441,183 shares of our common stock in a separate private placement. We expect Vivo Ventures to deposit funds to be held in escrow on or about August 7, 2018 in the U.S. (and August 8, 2018 in Australia) pending closing of this rights offering. The price per share to be paid in the private placements will be equal to the price per share of our common stock in this rights offering (converted to U.S. dollars). The issue of shares to Mr. Cheskin is subject to stockholder approval. A stockholders' meeting will be held as soon as practicable to seek the relevant approval. The sale of the shares under the private placement will not be registered under the Securities Act of 1933, as amended. No rights are being offered to these investors in this rights offering.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

We expect to issue the CDIs to purchasers who participate in the rights offering on or about August 30, 2018.

**The date of this prospectus is August 6, 2018.**

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## Table of Contents

As permitted under the rules of the Securities and Exchange Commission, this prospectus incorporates important business information about AirXpanders that is contained in documents that we file with the Securities and Exchange Commission but that are not included in or delivered with this prospectus. You may obtain copies of these documents, without charge, from the website maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov), as well as other sources. See “Where You Can Find More Information” and “Incorporation of Certain Information by Reference of Certain Documents.” We have not, and the underwriters have not, authorized anyone to provide you with information different than that contained or incorporated by reference in this prospectus or any free writing prospectus that we have authorized for use in connection with this offering. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus, the documents incorporated by reference in this prospectus, and in any free writing prospectus that we have authorized for use in connection with this offering is accurate only as of the date of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. You should read this prospectus, the documents incorporated by reference in this prospectus, and any free writing prospectus that we have authorized for use in connection with this offering in their entirety before making an investment decision.

You may also obtain copies of the incorporated documents, without charge, upon written request to the office of our Australian Secretary, Level 13, 41 Exhibition St, Melbourne VIC 3000.

You should rely only on the information incorporated by reference or provided in this prospectus, or in any free writing prospectus we may provide to you. We have not authorized anyone else to provide you with different information. These securities are not being offered in any state or jurisdiction other than Australia and New Zealand. You should not assume that the information in this prospectus or the documents incorporated by reference is accurate as of any date other than the date on the front of those documents.

Neither we nor the Australian Underwriter have done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

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**TABLE OF CONTENTS**

<u>About this Prospectus</u>	ii
<u>Questions and Answers about the Rights Offering</u>	1
<u>Prospectus Summary</u>	4
<u>The Rights Offering</u>	5
<u>Key Dates to Keep in Mind</u>	8
<u>Risk Factors</u>	9
<u>Information Regarding Forward-Looking Statements</u>	20
<u>Use of Proceeds</u>	21
<u>Dividend Policy</u>	21
<u>Market Information</u>	21
<u>Capitalization</u>	22
<u>Dilution</u>	23
<u>Effect of the Rights Offering on Control of AirXpanders</u>	23
<u>The Rights Offering</u>	24
<u>Description of Capital Stock</u>	29
<u>Shares Eligible for Future Sale</u>	30
<u>Certain U.S. Federal Tax Consequences for Non-U.S. Holders</u>	30
<u>Certain Australian Tax Consequences</u>	35
<u>Plan of Distribution</u>	37
<u>Underwriting</u>	37
<u>Legal Matters</u>	39
<u>Experts</u>	39
<u>Where You Can Find More Information</u>	39
<u>Incorporation by Reference of Certain Documents</u>	39

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-1 (which includes exhibits) that we filed with the Securities and Exchange Commission, or the SEC, covering the rights and the shares of common stock to be represented by the CDIs to be issued upon exercise of the rights (**U.S. Prospectus**). This U.S. Prospectus does not contain all information contained in the registration statement, certain parts of which are omitted in accordance with the SEC's rules and regulations. Statements made in this U.S. Prospectus as to the contents of any other document (including exhibits to the registration statement) are not necessarily complete. You should review the document itself for a thorough understanding of its contents. The registration statement and amendments thereto can be read and reviewed on the SEC's website located at [www.sec.gov](http://www.sec.gov) or at the SEC offices mentioned under the heading "Where You Can Find More Information."

THIS U.S. PROSPECTUS IS NOT A PROSPECTUS OR OTHER DISCLOSURE DOCUMENT FOR THE PURPOSES OF CHAPTER 6D OF THE CORPORATIONS ACT 2001 OF THE COMMONWEALTH OF AUSTRALIA (**CORPORATIONS ACT**) AND HAS NOT BEEN LODGED WITH THE AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION.

The rights offering is being made in accordance with Section 708AA of the Corporations Act. A reference to Section 708AA in this U.S. Prospectus means Section 708AA of the Corporations Act as modified by ASIC Class Order CO 14/827 and ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

## QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFERING

### Q: What is a right?

A: For eligible holders of our Class A Common Stock (**common stock**) and CHES Depositary Interests (**CDIs**), a right entitles its holder to purchase fifteen (15) new CDIs (New CDIs) for every sixteen (16) CDIs (or forty-five (45) New CDIs for every sixteen (16) shares of common stock) held by them on the Record Date (defined below) at an issue price of A\$0.075 per New CDI. Fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs.

### Q: Who is an eligible holder?

A: The rights offering will be made to all persons who are registered as holders of our common stock or CDIs as at 7:00 p.m. (Australian Eastern Standard time) on August 8, 2018, with a registered address in Australia or New Zealand (**Eligible Holders**). CDI holders and stockholders with a registered address outside Australia and New Zealand are considered ineligible (**Ineligible Holders**) and cannot participate in the rights offering.

Registered and beneficial shareholders in the United States and U.S. persons (as defined in Rule 902(k) of the Securities Act) are Ineligible Holders.

### Q: What is the record date for the rights offering?

A: The record date for the rights offering, which is the date that will be used to determine the CDI holders and stockholders entitled to participate in the rights offering, is 7:00 p.m. (Australian Eastern Standard time) on August 8, 2018 (**Record Date**).

### Q: How many rights am I receiving?

A: If you are an Eligible Holder and you hold our common stock, you are receiving a right to purchase forty-five (45) New CDIs for every sixteen (16) shares of common stock that you hold on the Record Date. If you are an Eligible Holder and you hold CDIs, you are receiving the right to purchase fifteen (15) New CDIs for every sixteen (16) CDIs that you hold on the Record Date. Subject to the rounding of fractional entitlements, we expect to issue a total of 69,631,266 shares of common stock in the rights offering (or 208,893,798 equivalent CDIs).

The number of New CDIs to which you are entitled to under the rights offering is shown in the personalized Entitlement and Acceptance Form which accompanies this U.S. Prospectus. In calculating each Eligible Holder's total entitlement, fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs. Eligible Holders can subscribe for all, or part, of their pro rata entitlement to New CDIs in the rights offering.

We reserve the right to reduce the number of New CDIs allocated to Eligible Holders, or persons claiming to be Eligible Holders, if their claims as to the extent of their rights prove to be overstated or they fail to provide information to substantiate their claims.

### Q: How much does a right cost?

A: We are distributing the rights at no charge but the issue price of each New CDI is A\$0.075 (**Issue Price**).

### Q: How was the Issue Price determined?

A: Our board of directors determined that the issue price should be designed to provide an incentive to our Eligible Holders to participate in the rights offering.

The Issue Price represents a 24.2% discount to our closing CDI price on July 31, 2018 (Australian Eastern Standard time), the trading day immediately prior to our company entering into a trading halt in connection with the rights offering, and a 22.5% discount to the five trading day VWAP of the CDIs ending on July 31, 2018 (Australian Eastern Standard time).

This Issue Price was not intended to bear any relationship to the historical price of our CDIs or our past or future operations, cash flows, net income, current financial condition, the book value of our assets or any other established criteria for value. As a result, the Issue Price should not be considered an indication of the actual value of our company or of our common stock.

### Q: Is the rights offering underwritten?

A: Yes. The rights offering is underwritten.

We have entered into an underwriting agreement with an Australian Underwriter (as defined in the section entitled "Underwriting"). Under the terms of the agreement, the Australian Underwriter has agreed to subscribe or procure subscriptions for any New CDIs for which valid applications are not received from Eligible Holders plus any New CDIs which would have been offered to Ineligible Holders (other than the New CDIs that would have been offered to the purchasers in the Private Placement and the equivalent number of additional CDIs purchased by such purchasers in the Private Placement) had such securityholders been Eligible Holders. See "The Rights Offering – Underwriting of the Rights Offering" and "Underwriting".



**Q: May I transfer my rights if I do not want to purchase any CDIs?**

A: No. Rights under the rights offering are non-renounceable and will not be tradeable or otherwise transferable. Eligible Holders who do not take up their rights in full will not receive any value in respect of that part of their rights that they do not take up. The rights lapse, if not previously taken up, at 5:00 p.m., Australian Eastern Standard time, on August 22, 2018, unless the offer period is extended by us as described below. See “Q: What happens if I do not take up my rights?”

**Q: Is there a private placement in addition to the rights offering?**

A: Yes. Vivo Ventures and Barry Cheskin, our non-executive Chairman, have agreed to purchase a total of 20,441,183 shares of our common stock (equivalent to 61,323,549 CDIs) in a separate private placement (**Private Placement**). We expect Vivo Ventures to deposit funds to be held in escrow on or about August 7, 2018 in the U.S. (and August 8, 2018 in Australia) pending closing of this rights offering. The price per share to be paid in the private placements will be equal to the price per share of our common stock in this rights offering (converted to U.S. dollars). The sale of these shares will not be registered under the Securities Act of 1933, as amended. The issue of shares to Mr. Cheskin is subject to stockholder approval. A stockholders' meeting will be held as soon as practicable to seek relevant approval. No rights are being distributed to these investors in this rights offering.

**Q: How will you use the proceeds from the rights offering and Private Placement?**

A: Our proceeds from the rights offering, before offering costs, will be approximately A\$15.7 million, and our proceeds from the Private Placement will be approximately A\$4.6 million. We expect to use the net proceeds from the rights offering and the Private Placement, together with other available funds, including cash on hand, to continue to commercialize our product in the U.S., including continued investment in sales and marketing and manufacturing and product improvement, and for general corporate purposes. See “Use of Proceeds.”

**Q: How do I take up my rights?**

A: To purchase some or all of the New CDIs offered to you under your pro rata allocation, please follow the instructions set out in the accompanying Entitlement and Acceptance Form. Payment must be made via BPAY® or as otherwise set out in “The Rights Offering – Method of Purchase – Acceptance and Payment.”

**Q: When will I receive the New CDIs I am purchasing by taking up my rights?**

A: We currently expect that New CDIs will be issued by August 30, 2018 (Australian Eastern Standard time) and that holding statements will be posted by September 3, 2018 (Australian Eastern Standard time).

**Q: When does the rights offering close?**

A: The rights offering is scheduled to close at 5:00 p.m., Australia Eastern Standard time, on August 22, 2018 (**Closing Date**), unless the offer period is extended by us. We currently do not intend to extend the offer period.

**Q: Am I required to take up my rights?**

A: No. If you choose not to fully take up your rights, however, your relative ownership in our company will be diluted.

**Q: What happens if I do not take up my rights?**

A: If you do not take up your rights prior to the close of the rights offering, your rights will lapse and your relative ownership in us will be diluted. The New CDIs subject to your rights will be allocated to the Australian Underwriter and any sub-underwriters.

**Q: If I take up my rights in the rights offering, may I withdraw my acceptance?**

A: No. All acceptances, once received, are irrevocable.

**Q: May you terminate the rights offering?**

A: Yes. We have no intention of terminating the rights offering, but we have reserved the right to terminate the rights offering at any time, subject to applicable laws. See “The Rights Offering — Extensions and Termination.”

**Q: If the rights offering is terminated, will my payment be refunded to me?**

A: Yes. If the rights offering is terminated, we will return as soon as practicable all payments in relation to New CDIs not already issued in accordance with the Corporations Act, without interest. See “The Rights Offering — Extensions and Termination.”

**Q: What should I do if I want to participate in the rights offering but my shares are held in the name of my broker, bank or other nominee?**

A: If you are an Eligible Holder and hold CDIs or shares of our common stock through a nominee such as broker, bank, or custodian, you will need to have your nominee act for you if you wish to participate in the rights offering. Nominees with registered addresses in the eligible jurisdictions, may participate in the rights offering in respect of some or all of the beneficiaries on whose behalf they hold existing CDIs or shares of common stock provided that the applicable beneficiary would satisfy the criteria for an Eligible Holder. See “The Rights Offering — Notice to Nominees.”

**Q: Will I be charged a sales commission or a fee if I take up my rights?**

A: No. We will not charge a brokerage commission or a fee to Eligible Holders who take up their rights and purchase New CDIs.

**Q: Have you or your board of directors made a recommendation as to whether I should take up my rights?**

A: No. Neither we nor our board of directors has made any recommendation as to whether you should take up your rights. You should make those decisions based upon your own assessment of your best interests. Our directors (and their respective associates) may purchase New CDIs under the rights offering to the extent they are Eligible Holders.

**Q: What are the U.S. federal tax consequences of the rights offering to non-U.S. holders?**

A: The U.S. federal tax consequences of the rights offering for non-U.S. holder investors will depend on the investor’s particular facts and circumstances and investors should seek their own professional tax advice.

An overview of the potential tax treatment for certain non-U.S. holder investors is set out in “Certain U.S. Federal Tax Consequences for Non-U.S. Holders”.

**Q: What are the Australian tax consequences of the rights offering to me?**

A: The Australian tax consequences of the rights offering for Australian tax resident investors will depend on the investor’s particular facts and circumstances and investors should seek their own professional tax advice.

An overview of the potential tax treatment for certain Australian tax resident investors is set out in “Certain Australian Tax Consequences”.

**Q: How many shares of common stock are currently outstanding?**

A: On the date of the U.S. Prospectus, there were 96,077,279 shares of our common stock outstanding (the equivalent of 288,231,837 CDIs). This number does not include shares of common stock that we are required to issue upon exercise of outstanding stock options and warrants. Following the rights offering and the Private Placement and subject to the rounding of fractional entitlements under the rights offering, the number of outstanding shares of our common stock is expected to be approximately 186,149,728 (the equivalent of 558,449,184 CDIs).

**Q: What should I do if I have other questions?**

A: If you have any questions about or require assistance regarding the rights offering, please contact our registrar for our CDIs, Computershare Investor Services Pty Limited (**CDI Registry**) between 8:30a.m. and 5:00 p.m. (Australian Eastern Standard time):

Within Australia, please call 1300 850 505.  
Outside Australia, please call +61 3 9415 4000.

For a more complete description of the rights offering, see “The Rights Offering.”

## PROSPECTUS SUMMARY

*This summary highlights some of the information contained elsewhere in or incorporated by reference into this U.S. Prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. You should carefully read this U.S. Prospectus, including the documents incorporated by reference, which are described under “Incorporation by Reference of Certain Documents” and “Where You Can Find More Information.”*

*In this U.S. Prospectus, except as otherwise indicated or as the context otherwise requires, “AirXpanders,” “we,” “our” and “us” refer to AirXpanders, Inc., a Delaware corporation. In the discussion of our business in this U.S. Prospectus, “we,” “our” and “us” also refer to our branch office in Australia.*

### **Our Company**

AirXpanders is a U.S. based medical device company whose principal business is to design, manufacture, sell and distribute medical devices used in two-stage breast reconstruction procedures following mastectomy. Our AeroForm Tissue Expander System (AeroForm) is a needle-free, patient-controlled tissue expander used in patients undergoing two-stage breast reconstruction following mastectomy prior to the insertion of a breast implant. AeroForm was granted its first CE mark in Europe in October 2012, was approved by Australia’s Therapeutic Goods Administration, or TGA, in Australia in October 2013, commenced its initial marketing release of AeroForm in Australia in January 2015, was granted its U.S. Food and Drug Administration, or FDA, de novo marketing authorization in December 2016 (as a Class II medical device), and commenced its initial marketing release of AeroForm in the U.S. in January 2017. After we received FDA de novo clearance for AeroForm, we submitted a 510(k) application for a materials change related to enhanced film material. This 510(k) was cleared by the FDA in April 2017. To date, we have been primarily engaged in developing and launching our initial product technology, completing clinical trials, building the manufacturing infrastructure to support commercialization efforts, recruiting key personnel and raising capital.

AirXpanders was incorporated in Delaware in 2005 and is headquartered in San Jose, California. We have been publicly traded since 2015 (ASX: AXP). We have incurred net losses and cash flow deficits from operations since our inception.

Our principal executive offices are located at 3047 Orchard Parkway, San Jose, CA, 95134; and our telephone number is +1 (650) 390-9000.

### **Concurrent Private Placement**

Vivo Ventures and Barry Cheskin, our non-executive Chairman, have agreed to purchase a total of 20,441,183 shares of our common stock (equivalent to 61,323,549 CDIs) in the Private Placement at a price per share equal to the price per share of our common stock in this rights offering (converted to US dollars). We expect Vivo Ventures to deposit funds to be held in escrow on or about August 7, 2018 pending closing of this rights offering, however, the issue of shares to Mr. Cheskin is subject to stockholder approval. A stockholders' meeting will be held as soon as practicable to seek the relevant approval. The sale of these shares will not be registered under the Securities Act of 1933, as amended, but we have agreed to file a registration statement on Form S-3 to register these shares for resale within 60 days after the closing of the Private Placement. No rights are being offered to these investors in this rights offering.

## THE RIGHTS OFFERING

Rights	We are distributing to holders of record of our common stock, or CDIs, with a registered address in Australia or New Zealand, as of 7:00 p.m., Australian Eastern Standard time, on August 8, 2018, at no charge, a non-transferable right to purchase fifteen (15) New CDIs for every sixteen (16) CDIs (or forty-five (45) CDIs for every sixteen (16) shares of common stock) they hold on the record date. Subject to the rounding of fractional entitlements, we expect to issue a total of 69,631,266 shares of common stock (equivalent to 208,893,798 CDIs) in the rights offering.
Issue Price	A\$0.075 per New CDI.
Record Date	7:00 p.m., Australian Eastern Standard time, on August 8, 2018, which is the date that will be used to determine the CDI holders and stockholders entitled to participate in the rights offering.
Closing Date	The rights offering is scheduled to close at 5:00 p.m., Australia Eastern Standard time, on August 22, 2018 ( <b>Closing Date</b> ), unless the offer period is extended by us. We currently do not intend to extend the offer period.
Use of Proceeds	Our net proceeds from the rights offering will be approximately A\$14.1 million after expenses of the rights offering, and our net proceeds from Private Placement will be approximately A\$4.5 million after expenses of the Private Placement. We expect to use the net proceeds from the rights offering and Private Placement, together with other available funds, including cash on hand, to continue to commercialize our product in the U.S., including continued investment in sales and marketing and manufacturing and product improvement, and for general corporate purposes. See “Use of Proceeds.”

Table of Contents

Non-transferability of Rights	The rights offering is non-renounceable, which means that the rights are non-transferable. See “The Rights Offering — Transferability of Rights.”
Procedures for acceptance	To purchase some or all of the New CDIs offered to you, please follow the instructions set out in the accompanying Entitlement and Acceptance Form. See “The Rights Offering — Method of Purchase — Acceptance and Payment” and “The Rights Offering — Return completed Entitlement and Acceptance Form and Payment.”
Issuance of CDIs	We currently expect that New CDIs will be issued by August 30, 2018 (Australian Eastern Standard time) and that holding statements will be posted by September 3, 2018 (Australian Eastern Standard time).
No Recommendation	Neither we nor our board of directors has made any recommendation as to whether you should take up your rights. You should make those decisions based upon your own assessment of your best interests.
ASX Listing of Our CDIs	Our CDIs are listed on the ASX under the symbol “AXP.” On July 31, 2018 (Australian Eastern Standard time), the closing price for our CDIs on the ASX was A\$0.099 per CDI.
Termination of Rights Offering	We have no intention of terminating the rights offering, but we have reserved the right to terminate the rights offering at any time, subject to applicable laws. If the rights offering is terminated, we will return as soon as practicable all payments in relation to New CDIs not already issued in accordance with the Corporations Act, without interest. See “The Rights Offering — Extensions and Termination.”

Table of Contents

U.S. Federal Tax Consequences of the Rights Offering to Non-U.S. Holders	<p>The U.S. federal tax consequences of the rights offering for non-U.S. holder investors will depend on the investor's particular facts and circumstances and investors should seek their own professional tax advice.</p> <p>An overview of the potential tax treatment for certain non-U.S. holder investors is set out in "Certain U.S. Federal Tax Consequences for Non-U.S. Holders".</p>
Australian Tax Consequences of Rights Offering	<p>The Australian tax consequences of the rights offering for Australian tax resident investors will depend on the investor's particular facts and circumstances and investors should seek their own professional tax advice.</p> <p>An overview of the potential tax treatment for certain Australian tax resident investors is set out in "Certain Australian Tax Consequences".</p>
Risk Factors	<p>You should read "Risk Factors" beginning on page 9 before you take up your rights.</p>

**KEY DATES TO KEEP IN MIND**

Announcement of rights offering	August 3, 2018.
Ex-date	August 7, 2018.
Record Date	7:00 p.m., Australian Eastern Standard time, on August 8, 2018.
Offer materials (including the U.S. Prospectus and Entitlement and Acceptance Form) dispatched	August 13, 2018.
Rights offering opens	9:00 a.m., Australian Eastern Standard time, on August 13, 2018.
Rights offering closes	5:00 p.m., Australian Eastern Standard time, on August 22, 2018, unless extended by us.
Shortfall announced to ASX	August 27, 2018.
Issue of New CDIs	August 30, 2018.
New CDIs under rights offering commence trading on ASX on a normal basis	August 31, 2018.
Dispatch of holding statements	on or about September 3, 2018.

Dates and times in this U.S. Prospectus are indicative only and subject to change. All dates and times are references to Australian Eastern Standard time.

We, with the consent of the Australian Underwriter, reserve the right to amend any or all of these dates and times, subject to the Corporations Act, the ASX Listing Rules and other applicable laws and regulations. In particular, we reserve the right to extend the Closing Date, to accept late applications under the rights offering (either generally or in particular cases) and to withdraw the rights offering without prior notice. Any extension of the Closing Date may have a consequential impact on the date that New CDIs are issued and commence trading on the ASX. Eligible Holders are encouraged to submit their personalized Entitlement and Acceptance Forms and/or payment (as applicable) as soon as possible after the rights offering opens.

We also reserve the right not to proceed with the whole or part of the rights offering at any time prior to the issue of the New CDIs. In that event, application monies (without interest) would be returned to applicants.

## RISK FACTORS

*An investment in our common stock involves various risks. You should carefully consider the risks and uncertainties described below and the other information included or incorporated by reference in this U.S. Prospectus, including the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, before deciding to invest in our common stock. Any of the risk factors described therein or set forth below could significantly and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price of our CDIs could decline and you could lose a part or all of your investment.*

### Risks Related to Our Business

***Even after this rights offering and Private Placement, we will need additional funding and may be unable to raise capital when needed, which could force us to delay, reduce, or eliminate planned activities or may result in our inability to operate as a going concern.***

As we have limited commercialization of our product, we are generating a small amount of revenue and are not cash flow positive or profitable. Our net revenue from sales of AeroForm was approximately \$3.7 million for the six months ended June 30, 2018 and \$3.9 million for the year ended December 31, 2017, and, as of June 30, 2018, we had cash, cash equivalents and short-term investments of approximately \$6.5 million. Even with the proceeds from this rights offering and Private Placement, our existing capital may be insufficient to meet our requirements. These requirements include, but not limited to, funding our continued commercial launch of AeroForm in the United States, or U.S., building our supporting manufacturing infrastructure and building inventory, continuing to build a dependable partnership with our current and other contract manufacturers, building our salesforce to support our commercialization efforts, and covering any losses. Consequently, we may need to raise additional funds through financings or borrowings beyond this rights offering and Private Placement in order to accomplish our planned objectives. Failure to raise additional funds could delay, reduce, or halt our commercialization and would impact our ability to continue as a going concern.

We have no committed sources of capital funding and there is no assurance that additional funding, if required, will be available to us in the future or be secured on acceptable terms. If adequate funding is not available, we may no longer be a going concern and may be forced to curtail operations, including our commercial activities and research and development programs, or cease operations altogether, file for bankruptcy, or undertake any combination of the foregoing. In such event, our stockholders may lose their entire investment in our company.

In addition, if we do not meet our payment obligations to third parties as they become due, we may be subject to litigation claims and our creditworthiness would be adversely affected. Even if we are successful in defending against these claims, litigation could result in substantial costs and would be a distraction to management, and may have other unfavorable results that could further adversely impact our financial condition.

***There is substantial doubt about our ability to continue as a going concern.***

Our independent registered accountants report on our December 31, 2017 consolidated financial statements contains an emphasis of a matter regarding substantial doubt about our ability to continue as a going concern. The consolidated financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. Based on our current operating plan, we do not have sufficient capital to continue our operations materially beyond September 30, 2018 without the proceeds from the rights offering and Private Placement. You should not rely on our consolidated balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to shareholders, in the event of liquidation.

***We have a history of net losses and we may never achieve or maintain profitability.***

We are a U.S. based medical device company with a limited history of operations and have limited commercial experience with our product. Medical device product development is a speculative undertaking and involves a substantial degree of risk. To date, we have focused on developing our sole product, AeroForm, and currently have no other products in development. We have incurred net losses since our inception, including net losses of approximately \$14.0 million in the six months ended June 30, 2018, \$29.0 million in 2017, \$19.4 million in 2016, and \$11.2 million in 2015. As of June 30, 2018, our accumulated deficit was approximately \$109.3 million. Although we have started to generate revenues from sales in Australia and the United States, we expect to continue to incur significant operating losses for the near future as we incur costs, including those associated with commercializing our products, building our supporting manufacturing infrastructure, building a dependable partnership with our current and other contract manufacturers, as well as the increased costs associated with being a public company in the U.S. with equity securities listed on the ASX.



## Table of Contents

Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to achieve sustained profitability would depress the value of our company and could impair our ability to raise capital, expand our business, diversify our research and development pipeline, market AeroForm or any other products we may identify and pursue, if approved, or continue our operations. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital. We cannot predict the extent of our future operating losses and accumulated deficit and we may never generate sufficient revenues to achieve or sustain profitability.

***If we fail to comply with the covenants and other obligations under our security and loan agreement, the lender may be able to accelerate amounts owed under the facility and may foreclose upon the assets securing our obligations.***

In August 2017, we entered into a loan and security agreement with Oxford Finance LLC, or Oxford, pursuant to which we borrowed \$15 million from Oxford. Under the Oxford loan agreement, we are subject to a variety of affirmative and negative covenants. These covenants include required financial reporting, providing an unqualified auditor's opinion together with our annual financial statements within 120 days of the end of our fiscal year (the unqualified audit opinion covenant), limitations on certain dispositions and licensing of assets, limitations on the incurrence of additional debt, and achievement of certain financial milestones. To secure our performance of our obligations under this loan and security agreement, as amended, we granted Oxford a security interest in all of our assets, including our intellectual property. Our failure to comply with the terms of the loan and security agreement, including the unqualified audit opinion covenant, the occurrence of a material adverse change in our business, operations or condition (financial or otherwise) or prospects, the material impairment in our prospect of repayment, a material impairment in the perfection or priority of the Oxford's lien on our assets or the value of Oxford's collateral, failure to achieve agreed financial milestones, or the occurrence of certain other specified events could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our loan, coupled with prepayment penalties, potential foreclosure on our assets, and other adverse results.

Oxford has already granted us three waivers in connection with covenant breaches under the loan and security agreement but there is no certainty that Oxford will grant us a further waiver if we do not comply with any covenants in the future.

If Oxford were to declare an event of default, it would have the option, among other things, of accelerating the debt under our loan and security agreement and foreclosing on the Company's assets pledged as collateral for the term loan. Any declaration of an event of default would significantly harm our business and would likely cause the price of our common stock to decline.

***We must attract and retained skilled staff to pursue our business model.***

Our long term growth and performance is dependent on attracting and retaining highly skilled staff. The medical device industry, and the San Francisco Bay area where we maintain our headquarters, has strong competition for highly skilled workers (including senior researchers, clinical staff, and management) due to the limited number of people with the appropriate skill set.

We currently employ, or engage as consultants, a number of key management and scientific personnel. There is a risk that we will be unable to attract and retain the necessary staff to pursue our business model. In April 2018, Mr. Scott Dodson, our former President and CEO, resigned. In June 2018, Mr. Frank Grillo was hired as our President and CEO. While we were able to attract and hire a replacement, there is no guarantee we can retain Mr. Grillo, or other key management and scientific personnel. This may affect how efficiently we operate our business and our future financial performance could be impacted.

We have structured incentive programs for our key personnel, including an equity incentive plan. Despite these measures, there is no guarantee that we will be able to attract and retain suitable qualified personnel, which could negatively affect our ability to reach our goals.

***Efforts to restructure our operations and align our resources with market opportunities could disrupt our business and affect our results of operations.***

In the second quarter of 2018, we completed a reduction in force and internal reorganization to reduce the size and cost of our operations and to better match our resources with our market opportunities. We may take similar steps in the future to improve efficiency and match our resources with market opportunities. These changes may not be successful in adequately reducing the cost of our operations. In addition, any such changes could be disruptive to our business.

***Our business model will depend solely on the success of AeroForm for breast reconstruction procedures.***

We expect to derive all of our revenue in the foreseeable future from sales of AeroForm for breast reconstruction procedures. We have no other commercial products or products in active development at this time. Acceptance of our product in the marketplace is uncertain, and our failure to achieve sufficient market acceptance will significantly limit our ability to generate revenue and be profitable. If we are unable to successfully achieve meaningful market penetration with AeroForm, our commercial strategy will be unattainable and our business operations, financial results and growth prospects will be materially and adversely affected.

***We are dependent on the acceptance, promotion and safe usage of AeroForm by surgeons and their patients.***

Regulatory approval and clearance of AeroForm, including in Australia and the U.S., will not guarantee market adoption. In order to achieve commercial success, we are dependent on the acceptance and promotion of AeroForm by patients and surgeons. Reasons that patients and surgeons may be slow to adopt AeroForm include, but are not limited to:

- preference of the products of competitors due to familiarity with those products or for various other reasons;
- concern that radiotherapy treatments may be affected by the presense of AeroForm;
- limited clinical data illustrating the benefits of AeroForm to patients and surgeons;
- concern over potential liability risks involved in using a new product; and
- any delay in the qualification of AeroForm for reimbursement from relevant health care funding bodies in jurisdictions where approved reimbursement codes and reimbursement status for similar products does not already exist.

While we already have early good relationships with a number of leading surgeons in Australia and the U.S., this in and of itself does not ensure the widespread support of AeroForm among surgeons. If a significant number of surgeons in our key markets do not adopt or recommend AeroForm, or continue to promote and use the products of competitors, this would adversely impact or delay our ability to generate revenue and achieve profitability.

***We may be unable to compete successfully with current tissue expanders in the market for breast reconstruction.***

The market for traditional tissue expander products in breast reconstruction procedures is well established and dominated by two large pharmaceutical and medical device companies, Allergan, Inc. and Mentor Worldwide LLC, a division of Johnson & Johnson, which have been market leaders for a number of years. Our AeroForm will compete against the traditional saline expanders which have been used for many years, are supported by clinical data, have a lower average selling price and have significantly greater brand recognition. Furthermore, the resources and scale of the two dominant players in the tissue expander market provides them with significant advantages in terms of financing, research and development, manufacturing and marketing resources and this may restrict our ability to secure market share for AeroForm. Additionally, these companies offer their customers access to a suite of products, including breast implants, which may allow them to offer favorable pricing on volume purchases or bundled purchases.

***We have limited sales, marketing and distribution resources.***

We currently have limited marketing resources and will need to commit significant resources to developing sales, distribution and marketing capabilities. We currently utilize a direct sales force in the U.S. but most other markets will likely entail the use of a distributor. We will need to ensure compliance with all legal and regulatory requirements for sales, marketing and distribution in each relevant market. There is a risk that we will be unable to develop sufficient sales, marketing and distribution capacity to effectively commercialize AeroForm.

***We rely on key suppliers for product components.***

Our contracts with key suppliers are generally standard in nature, in the form of purchase order arrangements that are common to medical device firms in the early stages of commercialization, with no minimum orders required. As we move further into our commercialization phase, we will increasingly rely on key suppliers for AeroForm components. A disruption at a key supplier could cause a substantial delay in the availability of AeroForm, leading to a potential loss of sales. Development of key manufacturing processes along with process validation testing, device verification testing, and regulatory approvals required for a manufacturing change could take up to six months to complete. However, we believe that alternative suppliers could ultimately be located, qualified and approved for all critical system components with the six month timeframe.

***We rely on a third party in Costa Rica to manufacture AeroForm.***

Our main manufacturing of AeroForm is managed by a contract manufacturer located in Costa Rica. While we also plan to retain the ability to manufacture certain subassemblies AeroForm at our California location, there are inherent risks in relying on outsourced contract manufacturers particularly where the contract manufacturer is located outside of the U.S. These risks include risks of economic change, recession, labor strikes or disruptions, political turmoil, changes in tariffs or trade barriers, and lack of contract enforceability.

## Table of Contents

Should the manufacturer's operations be disrupted for any reason or production halted, we may not be able to have enough AeroForm devices manufactured in a timely manner to satisfy product demand. While an alternative manufacturer could be appointed, it would take a significant amount of time to transfer the manufacturing process, which would include installation and validation of equipment, process and product qualifications and regulatory approvals. If such a disruption were to occur, it would adversely impact our ability to sell AeroForm and customers might instead purchase competing tissue expander products. There may also be an ongoing sales impact in the form of a reduction of goodwill as a result of our inability to supply hospitals and surgeons in a timely manner.

***Third party payers, including government authorities and private health insurers, may not provide sufficient levels of reimbursement or any form of reimbursement for AeroForm.***

Purchasers of tissue expanders for breast reconstruction procedures generally rely on third party payers, particularly government health administration authorities, including Medicare and Medicaid in the U.S., and private health insurers, to subsidize the cost of the products. We have to date secured reimbursement for AeroForm in Australia and believe that AeroForm benefits from existing reimbursement codes for breast reconstruction procedures in the U.S. Although rates of reimbursement for breast reconstruction procedures in the U.S. have been increasing in recent years, no assurance can be given that reimbursement amounts will continue to increase or that the amounts will be sufficient to enable us to sell AeroForm in the U.S. Moreover, we cannot predict what changes may be made in the future to third party coverage and reimbursement in Australia or the U.S. and what impact any such changes may have on our ability to sell AeroForm.

Reimbursement and healthcare payment systems in international markets vary significantly by country. Outside Australia and the U.S., we may not obtain international coverage and reimbursement approvals in a timely manner or at all.

In Australia, the report of the Competition Policy Review released on March 31, 2015 (commonly known as the Harper Report) stated that the regulation of prostheses should be further examined to see if pricing and supply can be made more competitive. However, it is not known whether any further review of prostheses regulation will occur and if it does occur, how resulting regulatory changes, if any, will affect the future reimbursement of AeroForm in Australia.

***We may not be able to pass through the regulatory hurdles and gain the necessary approvals and clearances to sell AeroForm in certain other countries.***

In the U.S., we received de novo clearance from the FDA, allowing us to commence sales to the U.S. market. We have received TGA and CE Mark approval for AeroForm, allowing us to commence sales to the Australian and European markets, respectively.

In other jurisdictions, AeroForm is still at various pre-commercialization phases. We cannot guarantee that we will receive all necessary regulatory approvals, nor can we accurately predict the product approval timelines, or other requirements that may be imposed by regulators (for example, further clinical trials or other requirements proving safety and effectiveness of AeroForm). Furthermore, there may be changes to regulatory standards, which could delay or prevent us from obtaining the necessary regulatory approvals. In addition, any future changes to AeroForm may require separate clearance or approval.

Any delays or barriers to our obtaining necessary regulatory clearances would limit the size of the market opportunity until such time, if any, that we will be able to obtain such clearances for AeroForm.

***We are dependent on the protection and enforcement of our intellectual property rights.***

The protection of the intellectual property we rely on is critical to our business and commercial success. If we are unable to protect or enforce the intellectual property rights embodied in AeroForm, there is a risk that other companies will incorporate the intellectual property into their technology, which could adversely affect our ability to compete in the market for tissue expanders.

As of December 31, 2017, our patent portfolio consisted of four issued and three pending U.S. patents, and 26 issued and 12 pending foreign patents. Our issued foreign patents were granted in Australia, Hong Kong, Japan and several of the major countries in the European Union.

In addition, some of the key patents related to AeroForm are co-owned by us and Shalon Ventures (includes U.S. patents) or licensed to us exclusively by Shalon Ventures (non-U.S. patents only). Although the license agreement between us and Shalon Ventures may only be terminated by a party in limited circumstances, if Shalon Ventures was to terminate the license agreement it could affect our ability to produce and sell AeroForm outside the U.S.

***We may be subject to future third party intellectual property rights disputes.***

We do not believe that our activities infringe any third party's intellectual property rights. To date, no third party has asserted this to be the case. However, in the future we may be subjected to infringement claims or litigation arising out of patents and pending applications of our competitors, or additional proceedings initiated by third parties or intellectual property authorities to re-examine the patentability of licensed or owned patents. The defense and prosecution of intellectual property claims and litigation, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If we infringe the rights of third parties, we could be prevented from selling AeroForm or any future products and be forced to defend against litigation and to pay damages.

***We have a limited operating history and may face difficulties encountered by companies early in their commercialization.***

We have a limited operating history upon which to evaluate our business and forecast future net sales and operating results. In assessing our business prospects, you should consider the various risks and difficulties frequently encountered by companies early in their commercialization in competitive markets, particularly companies that develop and sell medical devices. These risks include our ability to:

- implement and execute our business strategy;
- expand and improve the productivity of our sales force and marketing programs;
- increase awareness of our brand and build loyalty among surgeons;
- manage expanding operations;
- respond effectively to competitive pressures and developments; and
- successfully implement design changes to refine AeroForm over time and obtain any updates to regulatory approvals related to the changes.

***Ongoing regulation of our products may limit how we manufacture and market our product candidates, which could materially impair our ability to generate revenue.***

As an approved product in the U.S., AeroForm and its manufacturer are subject to ongoing review and regulation. Any approved or cleared product may only be promoted for its approved or cleared uses consistent with the products labeling. In addition, product labeling, packaging, QSR requirements, adverse event reporting, advertising and promotion, scientific and educational activities, and promotional activities involving the internet and social media will be subject to extensive regulatory requirements. To ensure compliance with regulatory requirements, medical device manufacturers are subject to market surveillance and periodic, pre-scheduled and unannounced inspections by the FDA, and these inspections may include the manufacturing facilities of our current and future contract manufacturers and our subcontractors.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, including various sanctions such as warning letters; fines, injunctions, and civil penalties; recall or seizure of our products; operating restrictions, partial suspension or total shutdown of production; refusal to grant 510(k) clearance or PMA approvals of new products; withdrawal of 510(k) clearance or PMA approvals; and criminal prosecution. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

***If we market products in a manner that violates fraud and abuse and other health care laws, we may be subject to significant enforcement and sanctions.***

In addition to FDA restrictions on marketing of medical device products, several other types of state, federal and foreign health care laws, including those commonly referred to as "fraud and abuse" laws, have been applied to restrict certain marketing practices in the medical device industry. These laws include, among others, the following:

- The federal anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any good, facility, item or service reimbursable under a federal health care program, such as Medicare or Medicaid. This statute has been interpreted broadly to apply to arrangements between pharmaceutical manufacturers and prescribers, purchasers, and formulary managers, among others. There are statutory exceptions and regulatory safe harbors available to protect certain common activities from prosecution or other regulatory sanctions that must be strictly followed. Failure to meet all of the requirements of a particular statutory exception or regulatory safe harbor does not make the conduct per se illegal under the anti-kickback statute, but subjects the arrangement to a case-by-case basis review of its facts and circumstances. The Affordable Care Act amended the federal anti-kickback statute such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation and codified case law that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act.

## Table of Contents

- Federal false claims laws, including the civil False Claims Act, false statement laws and civil monetary penalty laws prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid. The False Claims Act contains qui tam provisions, which allow a private individual, or relator, to bring a civil action on behalf of the federal government alleging that the defendant submitted a false claim to the federal government and to share in any monetary recovery. Certain marketing practices, including off-label promotion, may violate federal false claims laws.
- The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any health care benefit program, including private third-party payers, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. Like the federal anti-kickback statute, the Affordable Care Act amended the intent standard for certain health care fraud provisions under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information.
- The federal Physician Payments Sunshine Act and its implementing regulations require that certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to annually report to the Centers for Medicare & Medicaid Services (CMS) information related to certain payments or other transfers of value made to physicians and teaching hospitals, and to report annually certain ownership and investment interests held by physicians and their immediate family members.
- The U.S. Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act, and similar anti-bribery laws that generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business.
- Analogous local, state and foreign laws, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving health care items or services reimbursed by non-governmental third-party payors, including private insurers; state laws that require medical device companies to comply with the device industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to health care providers and entities; state and foreign laws that require device manufacturers to report information related to payments and other transfers of value to health care professionals or entities; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable health care laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other health care laws.

Medical device and other health care companies have been prosecuted under these laws for a variety of promotional and marketing activities, such as providing free trips, free goods, sham consulting fees and grants and other monetary benefits to prescribers; and engaging in off-label promotion. If our operations are found to be in violation of any of the health regulatory laws described above or any other laws that apply to us, we may be subject to significant sanctions, including criminal fines, civil monetary penalties, administrative penalties, disgorgement, individual imprisonment, exclusion from participation in federal health care programs, integrity obligations, contractual damages, injunctions, recall or seizure of products, total or partial suspension of production, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

## Table of Contents

### ***We are exposed to the risk of product liability and product recalls.***

We are exposed to the risk of product liability claims as a company that sells products to the public. This is a particularly sensitive issue for health care companies, and the medical device market has a history of product recalls and litigation. We may be exposed to the risk of product liability claims, which are inherent in the design, manufacturing, marketing and use of medical devices. Furthermore, we must comply with medical device reporting and vigilance requirements in each jurisdiction in which AeroForm and any future products are marketed.

Any product liability claim, with or without merit, may cause damage to our reputation and business. We have sought to minimize this risk by taking out product liability insurance, but this may not be sufficient if a large damages claim is awarded. If we are called as a defendant in a product liability suit, this could be a costly activity that may also divert management focus away from key strategic initiatives of the business, potentially adversely impacting financial performance and damaging our reputation.

### ***Off-label use of AeroForm may harm its image or lead to substantial penalties.***

We are only permitted to market AeroForm for the uses indicated on the labeling cleared by the relevant regulatory bodies in each market. We cannot prevent a surgeon or other third party from using or recommending the use of AeroForm for purposes outside of its approved intended use. This may lead to the increased likelihood of an adverse event, or inadequate treatment of a patient's condition, which could harm our reputation in addition to potential claims for damages. If we were deemed to have marketed AeroForm for off-label use, we could be subject to civil or criminal sanctions, including fines, damages claims, injunctions or other penalties and our reputation within the industry may be damaged.

## **Risks Related to Our Industry**

### ***We may be adversely affected by health care reform legislation in the U.S. and other countries.***

In recent years, there have been numerous initiatives at the U.S. federal and state levels for comprehensive reforms affecting the payment for, the availability of and reimbursement for healthcare services. Recent legislation and many of the proposed bills include funding to assess the comparative effectiveness of medical devices. It is unclear what impact the comparative effectiveness analysis will have on our products or financial performance. If significant reforms are made to the healthcare system in the U.S., or in other jurisdictions, those reforms could adversely affect our financial condition and operating results.

In March 2010, President Obama signed into law comprehensive healthcare reform legislation known as the *Affordable Care Act*, or the ACA, as modified by the Health Care and Education Reconciliation Act of 2010 (U.S.). The ACA was a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of health care spending, enhance remedies against health care fraud and abuse, add new transparency requirements for health care and health insurance industries, impose new taxes and fees on pharmaceutical and medical device manufacturers and impose additional health policy reforms. Substantial new provisions affecting compliance also were enacted, which may affect our business practices with health care practitioners. Complying with the ACA could significantly increase our costs.

Some of the provisions of the ACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additionally, the continuing resolution on appropriations for fiscal year 2018, recently signed by President Trump, delays the implementation of certain PPACA-mandated fees, including the medical device excise tax on non-exempt medical devices. Further, the Bipartisan Budget Act of 2018, or the BBA, among other things, amends the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole." We continue to evaluate the effect that the ACA and its possible repeal and replacement has on our business.

## Table of Contents

We expect that health care reform measures that have been and may be adopted in the future may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for our products. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payers. The implementation of cost containment measures or other health care reforms may affect our ability to generate revenue and profits or commercialize our product candidates.

### ***The manufacturing facilities of AeroForm must comply with stringent regulatory requirements.***

Our products are classified as medical devices. Medical devices are subject to extensive regulation in the United States by the FDA and numerous other federal, state and foreign governmental authorities. FDA regulations specific to medical devices are wide-ranging and govern, among other things:

- design, development and manufacturing;
- testing;
- clinical trials in humans;
- electronic product safety;
- labeling;
- storage;
- marketing;
- premarket clearance or approval;
- record keeping procedures;
- advertising and promotion;
- post-market surveillance and reporting of deaths, serious injuries or malfunctions; and
- export.

Our manufacturing processes are required to comply with the FDA's Quality System Regulations, which cover the procedures and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our devices. The FDA enforces its Quality System Regulations through periodic unannounced inspections. If our manufacturing facility fails a Quality System inspection, our operations and manufacturing could be interrupted. Failure to take adequate and timely corrective action in response to an adverse Quality System inspection could force a shutdown of our manufacturing operations or a recall of our products. As we have outsourced a significant portion of our manufacturing to a contract manufacturer located in Costa Rica, we have limited direct control over the compliance of the facility which manufactures AeroForm. If the manufacturer does not comply with any relevant requirements, this may adversely affect our ability to manufacture and sell AeroForm.

Compliance with these regulations can be complex, expensive and time-consuming. If we fail to comply with such regulations, we could be subject to the imposition of injunctions, suspensions or loss of regulatory approvals, product recalls, orders for repair, replacement or refund, customer notifications, termination of distribution, product seizures or civil penalties. In the most egregious cases, criminal sanctions or closure of our manufacturing facilities or those of our contract manufacturers or suppliers are possible. If we are required to shut down our manufacturing operations or recall any of our products, we may not be able to provide our customers with the quantity of products they require, and we could lose customers and suffer reduced revenue. If we are unable to obtain sufficient quantities of high quality products to meet customer demand on a timely basis, we could lose customers, our growth could be limited or halted and our business could be harmed. For example, in June 2018, we initiated a voluntary Class III recall of approximately 50 AeroForm Tissue Expander Systems. A Class III recall is a recall associated with distributed product in which use of, or exposure to, the product is not likely to cause adverse health consequences. Future recalls could divert management attention and financial resources and could harm our reputation with customers which in turn could have a material impact on our financial results.

We are also subject to medical device reporting regulations that require us to report to the FDA if our products cause or contribute to a death or serious injury or if they malfunction. It is possible that claims could be made against us alleging that our products are defective or unsafe. Our failure to comply with applicable regulatory requirements could result in an enforcement action by the FDA. The identification of serious safety risks could result in product recalls or withdrawal of our clearance or approval. The imposition of any one or more of these penalties could have a negative effect on our business, product sales and profitability.

Furthermore, to maintain the CE Mark, The British Standards Institute, our Notified Body, will regularly audit our suppliers and manufacturers. Failure to comply with the applicable regulatory requirements can result in, among other things, temporary manufacturing shutdowns, product recalls, product shortages, bans on imports and exports and a damaged brand name.

Our third party contract manufacturer or component manufacturers may also be subject to the same sanctions and, as a result, may be unable to supply components for our products. Any failure to retain governmental clearances or approvals that we currently hold or to obtain additional similar clearances or approvals could prevent us from successfully marketing our products and technology and could harm our operating results. Furthermore, changes in the applicable governmental regulations could prevent further commercialization of our products and technologies and could harm our business.

***Our presence in the international marketplace exposes us to foreign operational risks.***

We sell AeroForm in Australia and the U.S. As a significant portion of the manufacturing of AeroForm is performed in Costa Rica, we are exposed to risks of foreign regulations in Costa Rica and national trade laws, including import and export laws as well as customs regulations and laws. There are potentially high compliance costs associated with these laws and failure to comply with any applicable law or regulatory obligations could result in penalties and/or enforcement action (for example, stoppages or delays in clearing our products through customs).

**Risks Related to our CDIs and Common Stock**

***Our principal stockholders could collectively exert control over us and may not make decisions that in the best interests of all stockholders.***

As of June 30, 2018, our principal stockholders beneficially owned a substantial percentage of our voting stock. If these significant stockholders were to act together, they would be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Accordingly, there is a risk that these stockholders, although unrelated to each other, may make collective decisions that do not accord with, or are not in the best interests of, other stockholders and CDI holders. For example, the principal stockholders could, through their concentration of ownership, delay or prevent a change of control, even if a change of control is in the best interests of our other stockholders and CDI holders.

***Provisions of our Certificate of Incorporation, our Bylaws and Delaware law could make an acquisition of us more difficult and may prevent attempts by stockholders to replace or remove current members of the Board.***

Certain provisions of Delaware law, our Certificate of Incorporation and Bylaws could discourage, delay or prevent a change of control or deter tender offers for our common stock that stockholders and CDI holders may consider favorable, including transactions in which CDI holders might otherwise receive a premium for their CDIs.

Our Certificate of Incorporation authorizes us to issue up to 10,000,000 shares of preferred stock in one or more different series with terms to be fixed by our board of directors. Stockholder or CDI holder approval is not necessary to issue preferred stock in this manner. Issuance of these shares of preferred stock could have the effect of making it more difficult and more expensive for a person or group to acquire control of us, and could effectively be used as an anti-takeover device.

Our Bylaws provide for an advance notice procedure for stockholders or CDI holders to nominate director candidates for election or to bring business before an annual meeting of stockholders, including proposed nominations of persons for election to our board of directors, and require that special meetings of stockholders be called only by our chairman of the board, chief executive officer, president or the board pursuant to a resolution adopted by a majority of the board.

The anti-takeover provisions of Delaware law and provisions in our organizational documents may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.



***Being a public company is expensive and administratively burdensome.***

We are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended (**Exchange Act**). Although we have been listed on the ASX since 2015 and have been required to file financial information and make certain other filings with the ASX, our status as a U.S. reporting company under the Exchange Act will cause us to incur additional legal, accounting and other expenses that we have not previously incurred. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain approximately the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors (and the Audit and Risk Committee in particular) or as executive officers. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

***The costs and management time involved in complying with Delaware laws, Australian laws and U.S. reporting requirements are likely to be significant.***

As a Delaware company with an ASX listing and a registration as a foreign company in Australia, we will need to ensure continuous compliance with Delaware law and relevant Australian laws and regulations, including the ASX Listing Rules and certain provisions of the Corporations Act. To the extent of any inconsistency between Delaware law and Australian law and regulations, we may need to make changes to our business operations, structure or policies to resolve such inconsistency. If we are required to make such changes, this is likely to result in interruptions to our operations, additional demands on key employees and extra costs.

***The market price of our CDIs is subject to volatility.***

The current market price of our CDIs may not be indicative of prices that will prevail in the trading markets in the future. The market price of our CDIs has been and could continue to be subject to wide fluctuations in response to numerous factors, many of which are beyond our control. These factors include actual or anticipated variations in our operational results and cash flow, anticipated needs for additional capital, ability to generate positive gross margins, changes in financial estimates by securities analysts, trading volume, market conditions in the industry, the general state of the securities markets and the market for stocks of companies in our industry, governmental legislation or regulation, as well as general economic and market conditions, such as recessions.

***Sales of large amounts of our common stock or the perception that sales could occur may depress our stock price.***

Following the rights offering and Private Placement, there is expected to be 186,149,728 shares of our common stock outstanding (equivalent to 558,449,184 CDIs). There are several stockholders that hold a significant number of shares of our common stock. Sales by one or more of these stockholders could cause significant fluctuation in the price of our CDIs. In the future, we may determine to raise capital through offerings of our common stock (or CDIs), securities convertible into our common stock or rights to acquire these securities or our common stock. In any case, the result could ultimately be dilutive to our common stock by increasing the number of shares outstanding. We cannot predict the effect this dilution may have on the price of our CDIs.

***A small number of our stockholders could be able to significantly influence our business and affairs.***

On the date of this U.S. Prospectus, our three largest stockholders beneficially owned over 40% of our outstanding common stock. If all of the rights covered by this U.S. Prospectus are exercised and the Private Placement completes, the aggregate beneficial ownership percentage of these stockholders should remain approximately the same. These stockholders, either acting alone or in cooperation with other of our significant stockholders, could be able to significantly influence our business and affairs. Accordingly, a small number of our stockholders could be able to control matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions.

**Risks Relating to the Rights Offering**

***Stockholders who do not fully exercise their rights will have their interests diluted by stockholders who do exercise their rights.***

The rights offering is expected to result in our issuance of an additional 69,631,266 shares of our common stock (equivalent to 208,893,798 CDIs). If you choose not to fully take up your rights prior to the completion of the rights offering, your relative ownership interest in us will be diluted. The rights offering is also non-renounceable and as a result if you do not take up your rights then you will not receive any consideration or value for unused rights.

***The Issue Price was determined by our board of directors after consideration of a number of factors and is not necessarily an indication of our value or the value of our common stock.***

Each right entitles its holder to purchase fifteen (15) New CDIs for every sixteen (16) CDIs (or forty-five (45) CDIs for every sixteen (16) shares of common stock) held by them at an issue price of A\$0.075 per New CDI. Our board of directors determined that the Issue Price should be designed to provide an incentive to our current stockholders and CDI holders to take up their rights and purchase their pro rata allocation of New CDIs. This Issue Price was not intended to bear any relationship to the historical price of our CDIs or our past or future operations, cash flows, net income, current financial condition, the book value of our assets or any other established criteria for value. As a result, the Issue Price should not be considered an indication of the actual value of our company or of our common stock.

***The price of our CDIs may decline before or after the completion of the rights offering.***

We cannot assure you that the market price of our CDIs on ASX will not decline below the Issue Price after you elect to take up your rights. Additionally, the rights offering may cause an immediate decrease in the market price of our CDIs. If that occurs, you will have committed to buy New CDIs at a price above the prevailing market price and your application cannot be withdrawn. You will suffer an immediate unrealized loss on those New CDIs as a result. Moreover, we cannot assure you that following the rights offering you will be able to sell your New CDIs at a price equal to or greater than the Issue Price.

***We may terminate the rights offering at any time prior to the completion of the offer period, and we will have no obligation to you except to return your exercise payments.***

We may, in our sole discretion, decide not to continue with the rights offering or terminate the rights offering prior to the completion of the offer period. If the rights offering is terminated, we will return as soon as possible all payments in relation to New CDIs, without interest.

***You must act promptly and follow instructions carefully if you want to participate in the rights offering.***

Eligible Holders and, if applicable, brokers, banks or other nominees acting on their behalf, who desire to purchase New CDIs in the rights offering must act promptly to ensure that all required payments and if applicable, the Entitlement and Acceptance Form are actually received by the CDI Registry, prior to the closing of the rights offering. The time period to participate in the rights offering is limited. If you or your nominee fails to follow the procedures that apply to the acceptance of your rights, we may, depending on the circumstances, reject your application or accept it only to the extent of the payment received. Neither we nor the CDI Registry undertakes to contact you concerning, or attempt to correct, an incomplete or incorrect Entitlement and Acceptance Form or payment or contact you concerning whether a broker, bank or other nominee holds rights on your behalf. We have the sole discretion to determine whether an application follows the procedures that apply to the take up of your rights.

***Management will have broad discretion as to the use of the net proceeds from the rights offering, and we may not use these proceeds effectively.***

Our management will have broad discretion in the application of the net proceeds from the rights offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. Accordingly, you will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. Our failure to apply these funds effectively could have a material adverse effect on our business and cause the price of our CDIs on ASX to decline.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This U.S. Prospectus and the documents it incorporates by reference contain statements that are not historical fact and constitute “forward-looking statements” related to management’s expectations about future conditions. When we use words like “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “may,” “will,” “should” or similar expressions, or the negative of these terms, or when we discuss our strategy or plans, we are making forward-looking statements.

Forward-looking statements are not guarantees of future results, levels of activity, performance or achievements. They involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the U.S. commercial market acceptance and U.S. sales of our product;
- our ability or the ability of third-party contract manufacturer to build our product in sufficient quantities or at required quality standards to satisfy anticipated demand;
- our ability to manufacture our product at a lower cost in order to generate positive gross margins;
- our expectations with respect to our ability to further commercialize our product in other markets;
- our ability to develop and commercialize new products including our ability to obtain or maintain reimbursement for our current or new products;
- our expectations with respect to future regulatory submissions and approvals; and
- our expectations with respect to the integrity or capabilities of our intellectual property positions.

These risks and uncertainties are discussed in more detail under “Risk Factors” in this U.S. Prospectus, in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2017, in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, and in the other documents on file with the SEC. You may obtain copies of these documents as described under the captions “Incorporation by Reference of Certain Documents” and “Where You Can Find More Information.”

Other factors and assumptions not identified above were also involved in the making of the forward-looking statements. The failure of those assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. As a result, the trading price of our common stock could decline and you could lose a part or all of your investment. We have no obligation and make no undertaking to update or revise any forward-looking information.

## USE OF PROCEEDS

Our net proceeds from the rights offering and our Private Placement will be approximately A\$18.6 million after expenses. We expect to use the net proceeds from the rights offering and the Private Placement, together with other available funds, including cash on hand, to continue our U.S. commercialization effort, including continued investment in sales and marketing and manufacturing and product improvement, and for general corporate purposes.

## DIVIDEND POLICY

Through June 30, 2018, and during 2017, 2016 and 2015 we did not declare or pay any dividends on our common stock and do not currently anticipate declaring or paying dividends on our common stock in the foreseeable future. We currently intend to retain all of our future earnings, if any, to finance the operation and expansion of our business. Any future determination relating to our dividend policy will be made at the discretion of the Board and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects, contractual restrictions and covenants and other factors that the Board may deem relevant.

A loan and security agreement with Oxford Finance LLC prohibits us from paying any dividends without prior written consent.

## MARKET INFORMATION

Our CDIs, each representing one-third of one share of our Class A Common Stock, have been listed on the Australian Securities Exchange (**ASX**) under the trading symbol “AXP” since June 22, 2015. Prior to such time there was no public market for our securities. There is no principal market in the U.S. for our CDIs or shares of our common stock. As of the record date for the rights offering, there were 2,061 holders of record of our common stock. This number does not include the number of persons or entities who hold stock in nominee or street name through various brokerage firms, banks and other nominees. On July 31, 2018 (Australian Eastern Standard time), the last closing sale price reported on the ASX for our CDIs was A\$0.099 per CDI.

Our high and low sales prices on the ASX for the respective periods are shown below, both in Australian dollars per CDI and in U.S. dollars per share of common stock. All currency conversions are based on the prevailing Australian dollar to U.S. dollar exchange rate applicable on the relevant date as reported by the Reserve Bank of Australia.

Period	High per CDI (A\$)	Low per CDI (A\$)	High per share of common stock (US\$)	Low per share of common stock (US\$)
<b>Fiscal Year 2018:</b>				
First Quarter	0.61	0.33	1.82	0.98
Second Quarter	0.44	0.08	1.01	0.17
Third Quarter (through July 31, 2018)	0.10	0.08	0.22	0.18
<b>Fiscal Year 2017:</b>				
First Quarter	1.27	0.73	2.78	1.68
Second Quarter	0.93	0.65	2.14	1.49
Third Quarter	0.83	0.60	1.98	1.42
Fourth Quarter	0.83	0.65	1.96	1.48
<b>Fiscal Year 2016:</b>				
First Quarter	1.34	1.02	2.83	2.17
Second Quarter	1.15	0.78	2.66	1.74
Third Quarter	1.49	0.90	3.40	2.03
Fourth Quarter	1.45	0.99	3.34	2.22

## CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2018:

- on an actual basis; and
- on an as adjusted basis to give effect to the receipt of the estimated net proceeds of A\$14.1 million from the rights offering and A\$4.5 million from the Private Placement, after deducting the underwriting discount and estimated offering expenses payable by us as described under “Use of Proceeds.”

You should read the data set forth in the table below in conjunction with (a) our financial statements, including the related notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” from our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and (b) our condensed financial statements, including the related notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” from our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018, which are incorporated by reference into this prospectus.

All amounts below are shown in U.S. dollars. Currency conversions are based on the prevailing Australian dollar to U.S. dollar exchange rate on June 30, 2018 as reported by the Reserve Bank of Australia.

	As of June 30, 2018	
	Actual	As Adjusted
<b>(In thousands, except share and per share amounts)</b>		
Cash and cash equivalents	\$ 999	\$ 14,820
Short-term investments	5,463	5,463
<b>Stockholders' equity:</b>		
Preferred stock, par value of \$0.001 per share, 10,000,000 shares authorized; no shares issued and outstanding, actual and as adjusted	\$ —	\$ —
Class A Common Stock, par value of \$0.001 per share, 200,000,000 shares authorized; 96,077,279 shares issued and outstanding, actual, 186,149,728 shares issued and outstanding as adjusted	96	186
Class B Common stock, par value of \$0.001 per share, 100,000,000 shares authorized; no shares issued and outstanding, actual and as adjusted	—	—
Additional paid-in capital	112,478	126,209
Accumulated other comprehensive income	8	8
Accumulated deficit	(109,341)	(109,341)
<b>Total stockholders' equity</b>	<b>3,241</b>	<b>17,062</b>
<b>Total capitalization</b>	<b>\$ 3,241</b>	<b>\$ 17,062</b>

The number of our shares of common stock outstanding is based on 96,077,279 shares of common stock outstanding as of June 30, 2018, and excludes, as of June 30, 2018, the following:

- 7,711,953 shares of common stock issuable upon the exercise of stock options outstanding with a weighted average exercise price of \$1.07 per share;
- 773,056 shares of common stock issuable upon the exercise of warrants outstanding with a weighted average exercise price of \$0.90; and
- 2,311,869 of common stock available for future issuance under our equity incentive plan.

**DILUTION**

Our net tangible book value as of June 30, 2018, was \$3.2 million, or \$0.03 per share of common stock. Net tangible book value per share is calculated by subtracting our total liabilities from our total tangible assets, which is total assets less intangible assets, and dividing this amount by the number of shares of common stock outstanding. After giving effect to the issuance of the 69,631,266 shares of common stock in this rights offering, as represented by the New CDIs, at A\$0.075 per New CDI (A\$0.225 per share), and 22,579,001 shares of common stock in the Private Placement at the same price as those issued in this right offering, and after deducting estimated offering expenses payable by us, our net tangible book value as of June 30, 2018, would have been \$17.1 million, or \$0.09 per share of common stock, based upon the exchange rate of \$0.74307 per A\$1.00. This represents an immediate increase in the net tangible book value of \$0.06 per share to our existing stockholders and an immediate and substantial dilution in net tangible book value of \$0.08 per share of our common stock to purchasers of the New CDIs. The following table illustrates this per share dilution:

Offering price per share	\$	0.17
Net tangible book value per share as of June 30, 2018	\$	0.03
Increase per share attributable to purchasers of shares represented by New CDIs and Private Placement	\$	0.06
As-adjusted net tangible book value per share after this offering and Private Placement	\$	0.09
Net dilution per share to purchasers of shares represented by New CDIs	\$	0.08

The above discussion and table are based on 96,077,279 shares of our common stock outstanding as of the close of business on June 30, 2018. This number excludes, as of the close of business on June 30, 2018:

- 7,711,953 shares of common stock issuable upon the exercise of stock options outstanding with a weighted average exercise price of \$1.07 per share;
- 773,056 shares of common stock issuable upon the exercise of warrants outstanding with a weighted average exercise price of \$0.90 per share; and
- 2,311,869 of common stock available for future issuance under our equity incentive plan.

To the extent that outstanding options have been or may be exercised or other shares issued, holders of common stock and CDIs may experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders and CDI holders.

The extent to which the rights offering has any effect on the relative ownership of the holders of our common stock and CDIs will be dependent on the extent to which such holders participate in the rights offering. In particular:

- Stockholders and CDI holders who do not take up their rights fully under the rights offering will have their relative ownership in us diluted following the issue of New CDIs under the rights offering and in the Private Placement.
- Stockholders and CDI holders who take up their rights fully under the rights offering will maintain their relative ownership in us.

**EFFECT OF THE RIGHTS OFFERING ON THE CONTROL OF AIRXPANDERS**

If all Eligible Holders participate in the rights offering, we do not anticipate that the rights offering, along with the Private Placement, will have a material effect on the control of AirXpanders. However, the Australian Underwriter (and any sub-underwriters) will be purchasing any New CDIs not otherwise purchased by Eligible Holders, or that would have been issuable to Ineligible Holders if they had been Eligible Holders (other than the New CDIs that would have been offered to the purchasers in the Private Placement and the equivalent number of additional CDIs purchased by such purchasers in the Private Placement). To the extent that Eligible Holders do not participate in the rights offering, the Australian Underwriter (and any sub-underwriters) will purchase such New CDIs, which will result in the ownership of those New CDIs (and the shares of common stock underlying those New CDIs) by the Australian Underwriter (or any sub-underwriters), and the resulting decrease in percentage beneficial ownership of our holders of common stock, whether directly or through the holding of CDIs.

Furthermore, as Vivo Ventures, one of our largest stockholders, is purchasing more shares of common stock in the Private Placement than its pro-rata entitlement would have been under the Rights Offering had it been an Eligible Holder, its percentage ownership in the Company will increase. Vivo Ventures currently beneficially owns 16,842,159 shares of common stock in the Company (the equivalent of 50,526,477 CDIs), being approximately 17.53% of all shares of common stock of the Company (not including any shares or New CDIs to be issued under the Private Placement or rights offering). On completion of the Private Placement and rights offering, it is expected that Vivo Ventures will beneficially own 36,984,282 shares of common stock in the Company (the equivalent of 110,952,846 New CDIs), being approximately 19.87% of all outstanding shares of the Company (subject to the effects of rounding under the rights offering). Vivo Ventures has confirmed to us that it does not have any current intention to seek any material changes to our operations or our financial or dividend policies, alter the composition of our Board (including by seeking representation on the Board) or to increase its holding in us other than through its present participation in the Private Placement. It is noted however that these are the current intentions of Vivo Ventures as at the date of this U.S. Prospectus and may change subsequently in response to changing circumstances or the passage of time.

## THE RIGHTS OFFERING

### The Rights

We are distributing to eligible holders of record of our common stock and CDIs (see below) as of 7:00 p.m., Australian Eastern Standard time, on August 8, 2018, at no charge, a right to purchase fifteen (15) New CDIs for every sixteen (16) CDIs (or forty-five (45) CDIs for every sixteen (16) shares of common stock) held by them on the Record Date (defined below). Fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs. We expect to issue a total of approximately 208,893,798 New CDIs (equivalent to 69,631,266 shares of common stock) in the rights offering.

### Record Date

The record date for the rights offering, which is the date that will be used to determine the CDI holders and stockholders entitled to participate in the rights offering, is 7:00 p.m. (Australian Eastern Standard time) on August 8, 2018 (**Record Date**).

### Eligible Holders

The rights offering will be made to all holders of our common stock and CDIs as at the Record Date with a registered address in Australia or New Zealand (**Eligible Holders**). CDI holders and stockholders with a registered address outside Australia and New Zealand, or who are US Persons (as defined in Regulation S under the US Securities Act of 1933) or who are acting for the account or benefit of such persons, are considered ineligible (**Ineligible Holders**) and cannot participate in the rights offering.

### Issue Price

The issue price is A\$0.075 per CDI (**Issue Price**).

The Issue Price represents a 24.2% discount to our closing CDI price on July 31, 2018 (Australian Eastern Standard time), the trading day immediately prior to our company entering into a trading halt in connection with the rights offering, and a 22.5% discount to the five trading day VWAP of the CDIs ending on July 31, 2018 (Australian Eastern Standard time).

### Underwriting of the Rights Offering

The rights offering is underwritten. We have entered into an underwriting agreement (**Underwriting Agreement**) with the Australian Underwriter. Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Australian Underwriter has agreed to subscribe or procure subscriptions for any New CDIs for which valid applications are not received from Eligible Holders plus any New CDIs which would have been offered to Ineligible Holders had such securityholders been Eligible Holders (other than the New CDIs that would have been offered to the purchasers in the Private Placement and the equivalent number of additional CDIs purchased by such purchasers in the Private Placement).

A summary of the Underwriting Agreement, including the material events whereby the Australian Underwriter may terminate its obligations under the Underwriting Agreement, is set out in "Underwriting".

### Allocation of shortfall

If Eligible Holders do not take up their pro rata entitlements under the rights offering, the resulting shortfall will be allocated to the Australian Underwriter (and any sub-underwriters).

### Closing Date of the Rights Offering

The rights offering is scheduled to close at 5:00 p.m., Australia Eastern Standard time, on August 22, 2018 (**Closing Date**), unless the offer period is extended by us. We currently do not intend to extend the offer period. If you choose not to fully take up your rights, your relative ownership in us will be diluted and you will lose any value represented by their rights.

We may extend the Closing Date by announcing the extension to ASX no later than three business days prior to the most recently announced Closing Date.

### Issuance of New CDIs

We currently expect that New CDIs will be issued by August 30, 2018, and that holding statements will be posted by September 3, 2018.

### Ranking of New CDIs

When issued, the New CDIs will be fully paid and will rank equally with existing CDIs.

### **Method of Purchase — Acceptance and Payment**

If you decide to take up your rights and purchase the New CDIs offered to you, please follow the instructions set out in the personalized Entitlement and Acceptance Form. Payment for New CDIs must be received as cleared funds by no later than 5:00 p.m. (Australian Eastern Standard time) on August 22, 2018. Your payment must be made in Australian dollars for the full number of New CDIs you are purchasing by:

- cheque drawn on and payable at any Australian bank;
- bank draft or money order drawn on and payable at any Australian bank; or
- BPAY®.

If you wish to pay by BPAY®, you do not need to return the Entitlement and Acceptance Form. You simply need to follow the instructions on the Entitlement and Acceptance Form. Different financial institutions may implement earlier cut-off times with regards to electronic payment, so please take this into consideration when making payment by BPAY®. It is your responsibility to ensure that funds submitted through BPAY® are received by no later than 5:00 p.m. (Australian Eastern Standard time) on the Closing Date.

We will treat you as applying for as many New CDIs as your payment will pay for in full. Amounts received in excess of payment for your pro rata entitlement will be refunded. See “The Rights Offering – Method of Purchase – Acceptance and Payment.”

Cheques, bank drafts and money orders must be made payable to “AirXpanders, Inc.” and crossed ‘Not Negotiable’. Cash payments will not be accepted. Receipts for payment will not be provided.

We will not be responsible for any postal or delivery delays or delay in the receipt of your BPAY® payment.

### **Return completed Entitlement and Acceptance Form and Payment**

Unless you are paying by BPAY®, completed Entitlement and Acceptance Forms and payment of application money should be forwarded to the CDI Registry by mail in the enclosed prepaid envelope or, if you are outside of Australia or do not use the prepaid envelope, by mail addressed to:

AirXpanders, Inc.  
c/- Computershare Investor Services Pty Ltd  
GPO Box 505 Melbourne  
Victoria 3001 Australia

Completed Entitlement and Acceptance Forms and payments must be received by 5.00pm (Australian Eastern Standard time) on the Closing Date. If you wish to pay by BPAY®, you do not need to return the Entitlement and Acceptance Form.

Please note that a payment made through BPAY® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite application money constitutes a binding offer to acquire New CDIs on the terms and conditions set out herein and, once lodged or paid, cannot be withdrawn.

### **Representations you will be taken to make by acceptance**

By completing and returning your Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have:

- (a) represented and warranted that there has been no breach by you of the laws of the country which apply to you and are relevant to you applying for New CDIs under the rights offering;
- (b) acknowledged that you have fully read and understood this U.S. Prospectus (and the accompanying Australian offer booklet) and the Entitlement and Acceptance Form in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in this U.S. Prospectus and the Entitlement and Acceptance Form;
- (c) agreed to be bound by the terms of the rights offering, the provisions of this U.S. Prospectus and our certificate of incorporation and bylaws;
- (d) authorized us to register you as the holder of the New CDIs allotted to you;



## Table of Contents

- (e) declared that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the rights offering;
- (f) acknowledged that once we receive your Entitlement and Acceptance Form or any payment of application monies via BPAY®, you may not withdraw your application or funds provided except as allowed by law;
- (g) agreed to apply for and be issued up to the number of New CDIs specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any application monies via BPAY®, at the Issue Price per New CDI;
- (h) authorized us, the CDI Registry and our respective officers, employees or agents to do anything on your behalf necessary for New CDIs to be issued to you;
- (i) declared that you were the registered holder at the Record Date of the CDIs or shares of common stock indicated in the Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) acknowledged that the information contained in this U.S. Prospectus (and the accompanying Australian offer booklet) and your Entitlement and Acceptance Form is not investment advice nor a recommendation that the New CDIs are suitable for you given your investment objectives, financial situation or particular needs;
- (k) acknowledged that this U.S. Prospectus is not a prospectus or other disclosure document under Chapter 6D of the Corporations Act, may not contain all of the information that you may require in order to assess an investment in us and is given in the context of our past and ongoing continuous disclosure announcements to the ASX;
- (l) acknowledged the statement of risks in the “Risk Factors” and that investments in us are subject to risk;
- (m) acknowledged that none of us or our related bodies corporate, affiliates and none of our or their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees our performance, nor do they guarantee the repayment of capital;
- (n) agreed to provide any requested substantiation of your eligibility to participate in the rights offering and your holding of CDIs on the Record Date; and
- (o) authorized us to correct any errors in your Entitlement and Acceptance Form.

### **No minimum purchase**

There is no minimum purchase under the rights offering.

### **Cooling off rights**

Cooling off rights do not apply to an investment in New CDIs. You cannot withdraw your application once it has been made.

### **Refunds of excess payments**

Any payments received for more than the number of New CDIs issued to you (but only where the excess amount is A\$2.00 or greater) will be refunded in Australian dollars as soon as reasonably practicable following the close of the rights offering. No interest will be paid on any such payments.

Payment of any refund will be made either by cheque mailed to your address as last recorded in our register of members; or direct credit, but only where you have previously nominated to receive payment of dividends by direct credit and have not withdrawn that nomination. In all cases, the payment method will be at our discretion.

### **Your Funds Will Be Held by the CDI Registry Until The New CDIs Are Issued**

The CDI Registry will hold your application monies in a segregated account with other payments received from other Eligible Holders until we issue the New CDIs.

Any interest earned on payments of the Issue Price will be for our benefit and will be retained by us irrespective of whether any issue of New CDIs takes place.

### **Notice to Nominees**

The rights offering is being made to Eligible Holders only. Nominees with registered addresses in the eligible jurisdictions, may participate in the rights offering in respect of some or all of the beneficiaries on whose behalf they hold existing CDIs or shares of common stock provided that the applicable beneficiary would satisfy the criteria for an Eligible Holder.

## Table of Contents

Brokers, banks, custodians and other nominees should note that any underlying beneficial securityholders who are not Eligible Holders are ineligible to apply for New CDIs under the rights offering. If you are a nominee for underlying beneficial securityholders who are not Eligible Holders:

- you must not send any material relating to the rights offering (including this U.S. Prospectus (and the accompanying Australian offer booklet) and the Entitlement and Acceptance Form) to any of your clients who are not Eligible Holders; and
- you must not submit a personalised Entitlement and Acceptance Forms nor apply for New CDIs on behalf of securityholders who are not Eligible Holders.

We are not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of CDIs or shares of common stock. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the rights offering is compatible with applicable foreign laws. Brokers, banks, custodians and other nominees are advised to seek independent legal advice as to how to proceed in this regard.

### **Transferability of Rights**

The rights offering is non-renounceable. The rights are non-transferable and cannot be sold, traded on the ASX or any other exchange, nor can they be privately transferred or assigned.

### **Extensions and Termination**

We may extend the Closing Date by announcing the extension to ASX no later than three business days prior to the most recently announced Closing Date. In addition, while we have no intention of terminating the rights offering, we have reserved the right to terminate the rights offering at any time, subject to applicable laws. If the rights offering is terminated, we will return as soon as practicable all payments in relation to New CDIs not already issued in accordance with the Corporations Act, without interest.

### **No Board Recommendation**

Neither we nor our board of directors has made any recommendation as to whether you should take up your rights. You should make those decisions based upon your own assessment of your best interests. Our directors (and their respective associates) may purchase New CDIs under the rights offering to the extent they are Eligible Holders.

### **Shares of Common Stock Outstanding after the Rights Offering and Private Placement**

The following table sets out the number of shares of our common stock outstanding (and equivalent CDIs) on the date of this U.S. Prospectus and subject to the rounding of fractional entitlements under the rights offering, the total number of shares of our common stock outstanding (and equivalent CDIs) at completion of the rights offering and the Private Placement. These numbers do not include shares that we are required to issue upon the exercise of outstanding stock options and warrants. Nor do these numbers include options that will be issued to our Chief Executive Officer in the future.

	<b>Shares of common stock</b>	<b>Equivalent number of CDIs</b>
Number on issue on date of this U.S. Prospectus	96,077,279	288,231,837
Number to be issued under the Private Placement	20,441,183	61,323,549
Number to be issued under the rights offering	69,631,266	208,893,798
Total number on issue on completion of the Private Placement and rights offering	186,149,728	558,449,184

**No offering outside of Australia and New Zealand**

The rights offering is not being extended to holders of our common stock and CDIs in jurisdictions outside of Australia and New Zealand and no action has been taken to permit the rights offering being made under the laws of any jurisdiction other than Australia and New Zealand. The distribution of this U.S. Prospectus (including any electronic copy) outside of Australia and New Zealand may be restricted by law.

***Important information for New Zealand residents***

The CDIs are not being offered to the public within New Zealand other than to existing holders of our common stock and CDIs with a registered address in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This U.S. Prospectus has been prepared in compliance with U.S. law and has not been registered, filed with or approved by any New Zealand regulatory authority. This U.S. Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

**Questions**

If you have any questions about or require assistance regarding the rights offering, please contact the CDI Registry between 8:30a.m. and 5:00 p.m. (Australian Eastern Standard time):

Within Australia, please call 1300 850 505.

Outside Australia, please call +61 3 9415 4000.

## DESCRIPTION OF CAPITAL STOCK

The total number of shares of capital stock that we have authority to issue is 310,000,000, consisting of 200,000,000 shares of Class A Common Stock, par value \$0.001 per share, 100,000,000 shares of Class B Common Stock, par value \$0.001 per share and 10,000,000 shares of preferred stock, par value \$0.001 per share. As of the date of this U.S. Prospectus, shares of Class A Common Stock, no shares of Class B Common Stock and no shares of preferred stock were issued and outstanding. The following summary of certain provisions of our capital stock describes all material provisions of, but does not purport to be complete and is subject to, and qualified in its entirety by, our Certificate of Incorporation and the Bylaws, each of which is included as an exhibit to the registration statement of which this U.S. Prospectus is a part.

### Common Stock

#### *Class A Common Stock*

The following is a summary of the material rights of our Class A Common Stock as set forth in our certificate of incorporation and bylaws.

**Transfer Agent.** The transfer agent and registrar for our Class A Common Stock is Computershare Trust Company, N.A. Its address is 250 Royal Street, Canton, Massachusetts 02021.

**Voting Rights.** Each holder of Class A Common Stock is entitled to one vote for each share of Class A Common Stock held on all matters submitted to a vote of the stockholders, including the election of directors. The certificate of incorporation and by-laws do not provide for cumulative voting rights in connection with election of directors unless, at the time of such election, AirXpanders is subject to Section 2115(b) of the California General Corporation Law.

**Dividends.** Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of outstanding shares of Class A Common Stock may receive dividends, if any, as may be declared from time to time by the Board of Directors out of legally available funds. AirXpanders has never issued a dividend on shares of its Class A Common Stock and has no intention to do so in the future.

**Liquidation.** In the event of liquidation, dissolution or winding up of AirXpanders, the assets legally available for distribution shall be distributed ratably to the holders of shares of Class A Common Stock and preferred stock, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

**Rights and Preferences.** Holders of Class A Common Stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to the Class A Common Stock. The rights, preferences and privileges of the holders of Class A Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that AirXpanders may designate and issue in the future.

**Fully Paid and Nonassessable.** All outstanding shares of Class A Common Stock are fully paid and nonassessable.

#### *Class B Common Stock*

We do not have any shares of Class B Common Stock outstanding, and do not anticipate that we will ever issue shares of Class B Common Stock, as the shares were created in connection with our initial public offering in Australia solely for the purpose of preventing transfer during a restricted period, which restricted period has lapsed. Except as required by law, the Class B Common Stock is not be entitled to any voting rights or to share in any dividends or other distributions of cash, property or shares of the corporation.

### CDIs

In order for our shares of common stock in the form of CDIs to trade electronically on the ASX, we participate in the electronic transfer system known as the Clearing House Electronic Subregister System, or CHES, operated by ASX Settlement Pty Limited, or ASX Settlement. ASX Settlement provides settlement services for ASX markets to assist participants and issuers to understand the operation of the rules and procedures governing settlement facilities. The ASX Settlement Operating Rules form part of the overall listing and market rules which we are required to comply with as an entity listed on ASX.

CHES is an electronic system which manages the settlement of transactions executed on ASX and facilitates the paperless transfer of legal title to ASX quoted securities. CHES cannot be used directly for the transfer of securities of companies domiciled in certain jurisdictions outside of Australia, such as the United States. Accordingly, to enable our shares of common stock to be cleared and settled electronically through CHES, we have issued and will continue to issue depositary interests called CDIs.

## Table of Contents

CDIs confer the on the CDI holder the beneficial ownership in the shares of common stock, with three CDIs representing an interest in one share. The legal title to such shares is held by CHESS Depository Nominees Pty Limited, a subsidiary of ASX Limited, which acts as our Australian depository and issues the CDIs.

A holder of CDIs who does not wish to have their trades settled in CDIs may request that their CDIs be converted into shares of common stock, in which case legal title to the shares of common stock will be transferred to the holder of CDIs.

The transfer agent and registrar for our CDIs (known in Australia as a ‘securities registry’) is Computershare Investor Services Pty Limited (**CDI Registry**). Its address is GPO Box 505, Melbourne, Victoria 3001, Australia and its telephone number is 1300 850 505 (within Australia) or +61 3 9415 4000 (outside of Australia).

### **SHARES ELIGIBLE FOR FUTURE SALE**

After completion of the rights offering and the Private Placement, approximately 186,149,728 shares of our common stock will be outstanding. Other than the shares issued under the Private Placement, by virtue of the registration statement of which this U.S. Prospectus is a part, all of these shares will be freely tradable without restriction under the Securities Act except for any shares held at any time by any of our “affiliates,” as that term is defined under Rule 144 promulgated under the Securities Act. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time.

As of June 30, 2018:

- 7,711,953 shares of our common stock are subject to options to acquire shares of our common stock;
- 773,056 shares of our common stock are subject to warrants to acquire shares of our common stock; and
- other than the shares issued under the Private Placement, all shares of our common stock are freely tradeable or could be sold pursuant to Rule 144.

### **Rule 144**

In general, under Rule 144, a person who has beneficially owned restricted shares for at least six months would be entitled to sell those securities provided that (1) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (2) we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and are current in filing our periodic reports. Persons who have beneficially owned restricted shares of common stock for at least six months, or hold unrestricted shares, but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed 1% of the number of our common stock then outstanding. Such sales by affiliates must also comply with the manner of sale and notice provisions of Rule 144 and to the availability of current public information about us.

### **MATERIAL U.S. FEDERAL TAX CONSEQUENCES FOR NON-U.S. HOLDERS**

The following discussion describes the material U.S. federal income tax consequences to “non-U.S. holders” (as defined below) of the receipt and exercise (or expiration) of the rights acquired through the rights offering and the ownership and disposition of the New CDIs representing our common stock received upon exercise of the rights. This discussion does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the rights or the New CDIs. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the receipt of the rights by a non-U.S. holder, holding shares of our common stock or the CDIs representing our common stock, the exercise (or expiration) of the rights, and the acquisition, ownership and disposition of the New CDIs acquired upon exercise of the rights.

## Table of Contents

This discussion is limited to the rights acquired through this rights offering and the New CDIs acquired upon exercise of those rights, in each case, that are held as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a non-U.S. holder’s particular circumstances, including the impact of the alternative minimum tax or the unearned income Medicare contribution tax. In addition, it does not address consequences relevant to holders subject to particular rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our common stock, the CDIs representing our common stock, the rights or the New CDIs as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities or currencies or traders that elect to mark-to-market their securities;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships or other pass-through entities for U.S. federal income tax purposes (and investors therein);
- real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock, the CDIs representing our common stock, the rights or the New CDIs under the constructive sale provisions of the Code;
- persons subject to special tax accounting rules as a result of any item of gross income being taken into account in an applicable financial statement (as defined in the Code);
- persons for whom our stock constitutes “qualified small business stock” within the meaning of Section 1202 of the Code;
- persons who received, hold or will receive shares of our common stock or the CDIs representing our common stock or the rights pursuant to the exercise of any employee stock option or otherwise as compensation and persons who hold restricted shares of our common stock; and
- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the CDIs representing our common stock, the rights or the New CDIs acquired upon exercise of the rights, as the case may be, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE RECEIPT, OWNERSHIP AND EXERCISE OF RIGHTS, AND THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE NEW CDIs ACQUIRED UPON EXERCISE OF THE RIGHTS ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

### **Definition of a non-U.S. holder**

For purposes of this discussion, a “non-U.S. holder” is any beneficial owner of shares of our common stock, the CDIs representing our common stock, the rights or the New CDIs acquired upon exercise of the rights that, for U.S. federal income tax purposes, is neither an entity treated as a partnership for U.S. federal income tax purposes nor:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

## Table of Contents

- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more United States persons (within the meaning of Section 7701(a)(30) of the Code), or (2) has made a valid election under applicable U.S. Treasury Regulations to continue to be treated as a United States person.

### **CDIs treated as our common stock**

The discussion below assumes that the Company and the depositary nominee will comply with the ASX Settlement Operating Rules with respect to the existing and New CDIs. Generally, a holder of a CDI should be treated for U.S. federal income tax purposes as holding the common stock represented by the CDI. Accordingly, no gain or loss will be recognized upon an exchange of a CDI representing our common stock for our common stock. However, the U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of a CDI and the issuer of the security underlying such CDI may be taking actions that are inconsistent with the holder of the CDIs having beneficial ownership of the underlying security. Accordingly, certain anticipated tax consequences, such as the creditability of foreign taxes, if any, and the eligibility of favorable dividend rates for those non-U.S. holders paying U.S. tax at regular U.S. tax rates, could be affected by actions taken by intermediaries in the chain of ownership between the holders of the CDIs and us if, as a result of such actions, the holders of the CDIs are not properly treated as beneficial owners of our underlying common stock.

### **Receipt of the rights**

Although the authorities governing rights offerings are complex and do not speak directly to the consequences of all possible aspects of this rights offering, we do not believe a U.S. holder's receipt of the rights pursuant to this rights offering should be treated as a taxable distribution with respect to its existing shares of common stock or CDIs representing our common stock, as applicable, for U.S. federal income tax purposes. Section 305(a) of the Code generally provides that the receipt by a stockholder of a right to acquire stock is not included in the taxable income of the stockholder; however, the general non-recognition rule in Section 305(a) of the Code is subject to exceptions described in Section 305(b) of the Code, which include "disproportionate distributions." A disproportionate distribution is generally a distribution or a series of distributions, including deemed distributions, that has the effect of the receipt of cash or other property by some stockholders (including holders of rights to acquire stock and holders of debt instruments convertible into stock) and an increase in the proportionate interest of other stockholders (including holders of rights to acquire stock and holders of debt instruments convertible into stock) in a corporation's assets or earnings and profits. During the last 36 months, we have not made any distributions of cash or property (other than stock or rights to acquire stock) with respect to: (i) our common stock or (ii) options or warrants to acquire our common stock. Currently we do not intend to make any future distributions of cash or property (other than stock or rights to acquire stock) with respect to: (i) our common stock or (ii) options or warrants to acquire our common stock; however, there is no guarantee that we will not make such distributions in the future. In addition, we do not currently have any convertible debt outstanding nor do we currently intend to issue any convertible debt.

Our position regarding the tax-free treatment of the right distribution is not binding on the IRS or the courts. If this position is finally determined by the IRS or a court to be incorrect, whether because, contrary to our expectations, distributions of cash or property (other than stock or rights to acquire stock) are made with respect to our common stock, options or warrants, or because the issuance of the rights is otherwise a "disproportionate distribution," the rights could be taxable to non-U.S. holders of our common stock and CDIs representing our common stock (based on their fair market value at the time of the distribution) in the same manner as described in "—Distributions on our common stock." Although no assurance can be given, the Company anticipates that it will not have current or accumulated earnings and profits through the end of 2018.

The following discussion assumes the treatment of the right issuance will be a non-taxable distribution with respect to a non-U.S. holder's existing shares of our common stock or CDIs representing our common stock for U.S. federal income tax purposes.

### **Tax basis in the rights**

If the fair market value of the rights a non-U.S. holder receives is less than 15% of the fair market value of the non-U.S. holder's existing shares of common stock or the CDIs representing our common stock (in each case, with respect to which the rights are distributed) on the date the non-U.S. holder receives the rights, the rights will generally be allocated a zero tax basis for U.S. federal income tax purposes. As an alternative, a non-U.S. holder may elect to allocate the tax basis in the non-U.S. holder's existing shares of common stock or the CDIs representing our common stock between the existing shares of common stock or the CDIs representing our common stock and the rights in proportion to the relative fair market values of the existing shares of common stock or the CDIs representing our common stock and the rights as determined on the date of receipt of the rights. If a non-U.S. holder chooses to allocate tax basis between the holder's existing common shares or the CDIs representing our common stock and the rights, the non-U.S. holder must make this election on a statement included with the non-U.S. holder's timely filed tax return (including extensions) for the taxable year in which the non-U.S. holder receives the rights. Such an election is irrevocable.

## Table of Contents

However, if the fair market value of the rights a non-U.S. holder receives is 15% or more of the fair market value of the non-U.S. holder's existing shares of common stock or the CDIs representing our common stock on the date the non-U.S. holder receives the rights, then the non-U.S. holder must allocate tax basis in the existing shares of our common stock or the CDIs representing our common stock between those shares or CDIs and the rights the non-U.S. holder receives in proportion to their fair market values determined on the date the non-U.S. holder receives the rights. Please refer to the discussion below regarding the U.S. tax treatment of a non-U.S. holder that, at the time of the receipt of the rights, no longer holds the common stock or the CDIs with respect to which the rights were distributed.

The fair market value of the rights on the date that the rights are distributed is uncertain, and we have not obtained, and do not intend to obtain, an appraisal of the fair market value of the rights on that date. In determining the fair market value of the rights, non-U.S. holders should consider all relevant facts and circumstances, including without limitation any difference between the subscription price of the rights and the trading price of the CDIs representing shares of our common stock on the date that the rights are distributed, the length of the period during which the rights may be exercised and the fact that the rights are non-transferable.

### **Exercise of the rights**

A non-U.S. holder will not recognize gain or loss upon the exercise of a right received in this rights offering. A non-U.S. holder's adjusted tax basis, if any, in the right plus the subscription price will be the initial tax basis of the New CDIs acquired upon exercise of the right. The holding period of the New CDIs acquired upon exercise of a right in this rights offering will begin on the date of exercise.

### **Expiration of the rights**

If the rights received by a non-U.S. holder in this rights offering expire unexercised, the non-U.S. holder should not recognize any gain or loss for U.S. federal income tax purposes, and the non-U.S. holder should re-allocate any portion of the tax basis in its existing common shares or the CDIs representing our common stock previously allocated to the rights that have expired back to the existing common shares or the CDIs representing our common stock.

If, at the time of the receipt or expiration of the right, the non-U.S. holder no longer holds the common stock or the CDIs representing our common stock with respect to which the right was distributed, then certain aspects of the tax treatment of the receipt, exercise and expiration of the right are unclear, including (1) the allocation of the tax basis between the shares of our common stock or the CDIs representing our common stock previously sold and the right, (2) the impact of such allocation on the amount and timing of gain or loss recognized with respect to the shares of our common stock or the CDIs representing our common stock previously sold, and (3) the impact of such allocation on the tax basis of the New CDIs acquired upon exercise of the right. If a non-U.S. holder exercises a right received in this rights offering after disposing of shares of the common stock or the CDIs representing our common stock with respect to which the right is received, the non-U.S. holder should consult its tax advisor.

### **Distributions on our common stock**

As described in the section entitled "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a non-U.S. holder's adjusted tax basis in its shares of our common stock or the CDIs representing our common stock, as the case may be, but not below zero. Any excess will be treated as capital gain and will be treated as described below in the section relating to the sale or disposition of our common stock or the CDIs representing our common stock. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, since we may not know at that time the amount of our earnings and profits, for purposes of the withholding rules discussed below we or the applicable withholding agent may treat the entire distribution as a dividend.

Subject to the discussion below on backup withholding and foreign accounts, dividends paid to a non-U.S. holder of our common stock or the CDIs representing our common stock that are not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty).



## Table of Contents

Non-U.S. holders will be entitled to a reduction in or an exemption from withholding on dividends as a result of either (1) an applicable income tax treaty or (2) the non-U.S. holder holding our common stock or the CDIs representing our common stock in connection with the conduct of a trade or business within the United States and dividends being effectively connected with that trade or business. To claim such a reduction in or exemption from withholding, the non-U.S. holder must provide the applicable withholding agent with a properly executed (a) IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) claiming an exemption from or reduction of the withholding tax under the benefit of an income tax treaty between the United States and the country in which the non-U.S. holder resides or is established, or (b) IRS Form W-8ECI stating that the dividends are not subject to withholding tax because they are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, as may be applicable. These certifications must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If dividends paid to a non-U.S. holder are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), then, although exempt from U.S. federal withholding tax (provided the non-U.S. holder provides appropriate certification, as described above, and subject to the discussion below on backup withholding and foreign accounts), the non-U.S. holder will be subject to U.S. federal income tax on such dividends on a net income basis at the regular graduated U.S. federal income tax rates. In addition, a non-U.S. holder that is a corporation may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

### **Sale or other disposition of our common stock or the CDIs**

Subject to the discussions below on backup withholding and foreign accounts, a non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock or the CDIs representing our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable);
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock or the CDIs representing our common stock constitute a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on any gain derived from the disposition, which may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we are not currently and do not anticipate becoming a USRPHC. Because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our other business assets and our non-U.S. real property interests, however, there can be no assurance we are not a USRPHC or will not become one in the future.

Non-U.S. holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

### **Information reporting and backup withholding**

Subject to the discussion below on foreign accounts, a non-U.S. holder will not be subject to backup withholding with respect to distributions on our common stock or the CDIs representing our common stock we make to the non-U.S. holder, provided the applicable withholding agent does not have actual knowledge or reason to know such non-U.S. holder is a United States person and the holder timely certifies its non-U.S. status, such as by providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or other applicable certification. However, information returns generally will be filed with the IRS in connection with any distributions (including deemed distributions) made on our common stock and the CDIs representing our common stock to the non-U.S. holder, regardless of whether any tax was actually withheld. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

## Table of Contents

Information reporting and backup withholding may apply to the proceeds of a sale or other taxable disposition of our common stock and the CDIs representing our common stock within the United States, and information reporting may (although backup withholding generally will not) apply to the proceeds of a sale or other taxable disposition of our common stock and the CDIs representing our common stock outside the United States conducted through certain U.S.-related financial intermediaries, in each case, unless the beneficial owner timely certifies under penalty of perjury that it is a non-U.S. holder on IRS Form W-8BEN or W-8BEN-E, or other applicable form (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or such owner otherwise timely establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### **Additional withholding tax on payments made to foreign accounts**

Withholding taxes may be imposed under the Foreign Account Tax Compliance Act, or FATCA, on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends (including deemed dividends) paid on our common stock or the CDIs representing our common stock, or gross proceeds from the sale or other disposition of our common stock or the CDIs representing our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules we or the applicable withholding agent may treat the entire distribution as a dividend.

Under the applicable U.S. Treasury Regulations and administrative guidance, withholding under FATCA generally applies currently to payments of dividends (including deemed dividends), and will apply to payments of gross proceeds from the sale or other disposition of our common stock or the CDIs representing our common stock on or after January 1, 2019.

Prospective investors should consult their tax advisors regarding the potential application of these withholding provisions.

## **CERTAIN AUSTRALIAN TAX CONSEQUENCES**

The taxation consequences of investing in CDIs (or the underlying shares) will depend on your particular circumstances. It is your responsibility to satisfy yourself of the particular taxation treatment that applies to you by consulting your own professional tax advisers before investing in CDIs. Neither AirXpanders nor any of its officers, employees, agents and advisers accepts any liability or responsibility in respect of the taxation consequences connected with an investment in CDIs.

### **Australian taxation**

This Section provides a general statement of the Australian income tax, goods and services tax and stamp duty consequences for Australian tax resident investors that acquire and hold CDIs on capital account. However, this section does not consider the taxation consequences of converting CDIs to shares (or vice versa).

It does not apply to CDI holders who are subject to the operation of the taxation of financial arrangement provisions in Division 230 of the Income Tax Assessment Act 1997, who acquire their CDIs under an employee share scheme or that hold their CDIs as trading stock or otherwise on revenue account. This Section also does not address the foreign tax consequences for any investor.

## Table of Contents

The following summary is based on the relevant Australian taxation laws as at the date of this U.S. Prospectus, except where otherwise indicated. These laws, and their interpretation by the Courts, are subject to change from time to time.

### **Receipt of dividends on CDIs**

If a dividend is paid by AirXpanders, an Australian resident CDI holder must include the dividend in his, her or its assessable income. As AirXpanders is not an Australian tax resident company, its dividends will be unfranked, even if it has been subject to tax on any Australian source income.

Where the dividend is subject to withholding tax in the U.S., the gross amount of the dividend is generally included in assessable income and an Australian resident CDI holder may be entitled to a foreign income tax offset equal to:

- the U.S. tax withheld if the total foreign income tax paid or claimed by the holder in the applicable tax year is less than A\$1,000 or,
- in any other case, the lesser of the U.S. tax and the notional Australian tax payable on the dividend.

However, the dividend will not be assessable (and no offset will apply) to a company (not acting as a trustee) that holds a 10% or greater participation interest in AirXpanders.

### **Disposal of CDIs**

The disposal of CDIs will give rise to a CGT event for an Australian resident. Unless any CGT roll-over relief applies, an Australian resident will make:

- a capital gain to the extent the capital proceeds from the disposal of the CDIs are greater than the cost base of the CDIs; or
- a capital loss to the extent the capital proceeds from the disposal of the CDIs are less than the reduced cost base of the CDIs.

The capital proceeds is the total of the money and the market value of any other property received or receivable for the disposal of the CDIs.

The cost base and reduced cost base of the CDIs for the purpose of working out a capital gain or loss on disposal will include the money paid to acquire the CDIs plus any incidental costs of acquisition and disposal (e.g. brokerage).

An Australian resident taxpayer must include any net capital gain (after taking account of capital losses) in his, her or its assessable income for the income year in which the CGT event occurs, subject to any CGT discount (see below). A net capital loss may generally be carried forward to offset capital gains made in a later income year, however a taxpayer that is a company will need to satisfy certain carry forward loss utilisation tests in order to do so.

No foreign resident capital gains withholding will apply if the disposal is effected on the ASX or through a crossing system. If the disposal is made off-market, no withholding will apply where the CDI holder has provided the purchaser with a declaration that the CDI holder is an Australian resident for tax purposes when the transaction is entered into.

### **CGT discount**

A CDI holder that is an individual, the trustee of a trust or a complying superannuation entity may be entitled to the CGT discount on the disposal of CDIs that have been held for at least 12 months before the CGT event.

The CGT discount reduces the capital gain otherwise assessable (after taking account of any capital losses) by:

- 50% in the case of an individual or the trustee of a trust; or
- 33⅓% in the case of a complying superannuation entity.

The discount may be reduced for any part of the ownership period that the CDI holder is a foreign or temporary resident.

[Table of Contents](#)

No CGT discount applies to a company which holds CDIs. However, a company which holds a direct voting interest of 10% or more of AirXpanders may be entitled to reduce the capital gain to the extent AirXpanders' underlying assets are active foreign business assets.

**Goods and services tax (GST) considerations**

A CDI holder should not be liable to pay GST on the acquisition or disposal of CDIs. However, GST may be payable on brokerage fees.

**Stamp duty considerations**

A CDI holder should not be liable to pay stamp duty as a consequence of the acquisition or disposal of CDIs.

**Interaction between Australian and U.S. tax consequences for Australian tax resident CDI holders**

The receipt of dividends by an Australian tax resident CDI holder and the disposal of CDIs by an Australian tax resident CDI holder may, in some circumstances, give rise to both Australian and U.S. tax.

Whether a tax credit is available in one jurisdiction to offset the tax paid in the other jurisdiction will depend upon the CDI holder's particular circumstances.

**PLAN OF DISTRIBUTION**

We intend to distribute the rights, copies of this U.S. Prospectus and personalized Entitlement Acceptance Forms to those persons who are holders of our CDIs or common stock with a registered address in Australia or New Zealand at 7:00 p.m. on August 8, 2018, the Record Date for the rights offering, promptly following the effective date of the registration statement of which this U.S. Prospectus is a part. The rights entitle holders thereof to purchase fifteen (15) New CDIs for every sixteen (16) CDIs (or forty-five (45) CDIs for every sixteen (16) shares of common stock) held by them on the Record Date. Fractional entitlements for New CDIs have been rounded up to the nearest whole number of New CDIs.

If you wish to exercise your rights and purchase New CDIs, you should complete the personalized Entitlement Acceptance Forms and return it with payment for the New CDIs as described in "The Rights Offering." If you have any questions or need further information about this rights offering, please call the CDI Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside of Australia).

Upon completion of the rights offering, we will issue New CDIs directly to those Eligible Holders who have submitted valid applications with cleared funds for New CDIs on or prior to 5:00 p.m., Australian Eastern Standard time, on the Closing Date. Any resulting shortfall will be allocated to the Australian Underwriter (and any sub-underwriters) pursuant to the underwriting arrangements described below in "Underwriting". The CDI Registry will hold the funds we receive from subscribers until we complete, abandon or terminate the rights offering.

Some of our officers, employees and directors may solicit responses from holders of rights. None of our officers, directors or employees will be compensated in connection with their participation in the offering by the payment of commissions or other remuneration based either directly or indirectly on the subscriptions, but will be reimbursed for reasonable expenses.

We have agreed to pay the CDI Registry customary fees plus certain out-of-pocket expenses in connection with the rights offering. The fees of the CDI Registry are estimated to be approximately A\$35,000 (excluding out-of-pocket expenses and Australian GST). Except as described in this section and the section entitled "Underwriting", we are not paying any other commissions, underwriting fees or discounts in connection with the rights offering or subsequent re-offer.

Other than as described herein, or in "The Rights Offering - Underwriting of the Rights Offering" and "Underwriting", we do not know of any existing agreements between or among any stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the underlying common stock.

**UNDERWRITING**

Under the terms and subject to the conditions in an underwriting agreement dated August 2, 2018 (**Underwriting Agreement**), Canaccord Genuity (Australia) Limited (**Australian Underwriter**) has agreed to subscribe for or procure subscriptions for any New CDIs for which valid applications are not received from Eligible Holders plus any New CDIs which would have been offered to Ineligible Holders had such securityholders been Eligible Holders (other than the New CDIs that would have been offered to the purchasers in the Private Placement and the equivalent number of additional CDIs purchased by such purchasers in the Private Placement) (**Shortfall CDIs**). If no New CDIs are taken up by Eligible Holders, the Australian Underwriter (or its sub-underwriters) will purchase a total of approximately 208,893,798 New CDIs (subject to the effects of the rounding of entitlements).

The Australian Underwriter is not an underwriter in the United States and will not offer or sell any securities in the United States.

## Table of Contents

The Underwriting Agreement provides that the Australian Underwriter's obligation to underwrite the rights offering is subject to certain conditions, including, without limitation, the effectiveness of the registration statement of which this U.S. Prospectus is a part. Subject to those conditions being fulfilled or waived (and our compliance with the Underwriting Agreement), the Australian Underwriter is obligated to subscribe, or procure subscription for, all Shortfall CDIs and pay or procure payment of, the Issue Price for all Shortfall CDIs.

All of the New CDIs, including the Shortfall CDIs, will be listed on the Australian Securities Exchange, or ASX, under the ticker "AXP".

In consideration for the Australian Underwriter's services in connection with the rights offering, we will pay the Australian Underwriter the following fees (exclusive of Australian GST):

Management fee	2.0 % of the gross proceeds raised under the rights offering	A\$	313,341
Underwriting fee	3.5 % of the gross proceeds raised under the rights offering	A\$	548,346
Total		<u>A\$</u>	<u>861,687</u>

The Australian Underwriter may, at its own cost, appoint one or more sub-underwriters with a registered address outside of the United States to sub-underwrite the rights offering. The sub-underwriters may subscribe, bid, apply for, or nominate purchasers of, any of the Shortfall CDIs. The Australian Underwriter will consult with us in relation to the appointment of any sub-underwriters.

The Australian Underwriter may terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events, including (but not limited to) where:

- a statement in any of the offer documents (including this U.S. Prospectus, the accompanying Australian offer booklet and all market announcements made in connection with the rights offering) does not comply with the Corporations Act or is, or becomes, misleading or deceptive, or likely to mislead or deceive;
- a corrective statement is issued, or required to be issued, to correct the cleansing statement for the rights offering;
- there is more than a 10% fall in the S&P/ASX Small Ordinaries Index from the level of that index as at the close of normal trading on ASX on the Business Day immediately preceding the Underwriting Agreement or the date of that agreement;
- there are material disruptions in certain financial markets or political conditions in key markets, or hostilities commence or escalate in certain key countries;
- there is a material adverse change in our assets, liabilities, financial position or performance, profits, losses or prospects; or
- we are removed from the official list of the ASX, or our CDIs are delisted or suspended from quotation by ASX.

As is customary with underwriting arrangements, we have also (subject to certain limitations) agreed to indemnify the Australian Underwriter, its affiliates and related bodies corporate, and their respective directors, officers, employees, advisers and representatives against losses they may suffer in connection with the rights offering.

## **Other Relationships**

The Australian Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Australian Underwriter has, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

## Table of Contents

In addition, in the ordinary course of their various business activities, the Australian Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The Australian Underwriter and its affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

### **LEGAL MATTERS**

The validity of the rights and the shares of common stock offered by this U.S. Prospectus will be passed upon for us by Cooley LLP.

### **EXPERTS**

The consolidated financial statements as of December 31, 2017 and 2016 and for each of the years in the three-year period ended December 31, 2017 incorporated in this Prospectus by reference from the Airxpanders, Inc. Annual Report on Form 10-K for the year ended December 31, 2017 have been audited by SingerLewak LLP, an independent registered public accounting firm, as stated in their report thereon which report expresses an unqualified opinion and includes an explanatory paragraph relating to Airxpanders, Inc.'s ability to continue as a going concern, incorporated herein by reference, and have been incorporated in this Prospectus and Registration Statement in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

### **WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Exchange Act. Accordingly, we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's Public Reference Room located at Room 1580, Headquarters Office, 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains an Internet website at [www.sec.gov](http://www.sec.gov) that contains reports, proxies and other information regarding registrants that file electronically with the SEC, and certain of the registrant's filings are available at that website. Please call 1-800-SEC-0330 for further information on the Public Reference Room.

This U.S. Prospectus constitutes a part of a registration statement on Form S-1 which we have filed with the SEC under the Securities Act. This U.S. Prospectus does not contain all of the information included in the registration statement. Some parts of the registration statement are omitted as allowed by the rules and regulations of the SEC. We refer you to the registration statement for further information about our company and the rights offered in the rights offering and the shares of common stock to be issued upon exercise of the rights. Statements contained in this U.S. Prospectus as to the contents of any contracts or other documents referred to in this U.S. Prospectus are not necessarily complete, and, where the contract or other document is an exhibit to the registration statement, each statement is qualified in all respects by the provisions of the exhibit, to which reference is now made. The registration statement, together with its exhibits and schedules, which we filed with the SEC may also be reviewed and copied at the public reference facilities of the SEC located at the address set forth above.

### **INCORPORATION BY REFERENCE OF CERTAIN DOCUMENTS**

The SEC allows us to "incorporate by reference" the information that we file with it, meaning we can disclose important business, financial and other information to you by referring you to those documents already on file with the SEC that contain that information. The information incorporated by reference is considered to be part of this U.S. Prospectus. We incorporate by reference into this U.S. Prospectus the following documents which we have filed with the SEC pursuant to the Securities Exchange Act of 1934, or the Exchange Act:

1. Our annual report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K"), filed with the SEC on February 28, 2018;
2. The information specifically incorporated by reference in the Form 10-K from our proxy statement filed on Schedule 14A, filed with the SEC on April 30, 2018;
3. Our quarterly report on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on May 3, 2018;
4. Our quarterly report on Form 10-Q for the quarter ended June 30, 2018, filed with the SEC on July 31, 2018;
5. Our current reports on Form 8-K filed with the SEC on February 20, 2018, April 9, 2018 (other than Item 2.02), April 11, 2018, April 20, 2018, May 2, 2018, May 23, 2018, and June 12, 2018; and
6. The description of our common stock contained in our Form 10/A, filed on July 17, 2017, including any amendment or report filed for the purpose of updating such description.

## Table of Contents

All documents, reports and definitive proxy or information statements filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act (other than Current Reports furnished under Item 2.02 or Item 7.01 of Form 8-K and exhibits furnished on such form that relate to such items) on or after the date of this Registration Statement, including those made after the date of the initial filing of the registration statement of which this prospectus is a part and prior to effectiveness of such registration statement, and prior to the filing of a post-effective amendment to this Registration Statement that indicates that all securities offered have been sold or that deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and to be part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document that also is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Any statement incorporated or deemed to be incorporated by reference shall be deemed to be modified or superseded for purposes of this U.S. Prospectus to the extent that a statement contained in this U.S. Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this U.S. Prospectus modifies or supersedes that statement.

We will provide to you a copy of any or all of the above filings that have been incorporated by reference in this U.S. Prospectus, excluding exhibits to those filings, upon your request, at no cost. Any request may be made by writing or calling us at the following address or telephone number:

AirXpanders, Inc.  
Level 13, 41 Exhibition St  
Melbourne VIC 3000  
Attn: Australian Secretary  
Telephone: 0410 442 393

In addition, you may access all of the above filings on our website at [www.airxpanders.com](http://www.airxpanders.com). Except for the documents incorporated by reference as noted above, we do not intend to incorporate into this U.S. Prospectus any of the information included on our website.

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## **AUSTRALIAN OFFER BOOKLET**

**AIRXPANDERS, INC.**

**ARBN 604 398 423**

### **NON-RENOUNCEABLE PRO RATA RIGHTS OFFERING OF NEW CDIS AT AN ISSUE PRICE OF A\$0.075 PER NEW CDI**

The Rights Offering closes at 5.00pm (Australian Eastern Standard time) on  
22 August 2018 unless extended

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE AN ELIGIBLE HOLDER YOU SHOULD READ THE U.S. PROSPECTUS AND THIS  
AUSTRALIAN OFFER BOOKLET IN ENTIRETY BEFORE DECIDING WHETHER TO APPLY FOR NEW  
CDIS.

IF YOU DO NOT UNDERSTAND ANY PART OF THE U.S. PROSPECTUS OR THIS AUSTRALIAN OFFER  
BOOKLET, OR ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT OR YOUR RIGHTS, YOU SHOULD  
CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

THIS DOCUMENT IS NOT FOR RELEASE TO US WIRE SERVICES OR DISTRIBUTION IN THE UNITED  
STATES.

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## Important Information

### About this document

This Australian Offer Booklet contains information relating to a proposed rights issue (the **Rights Offering**) to be undertaken by AirXpanders, Inc. ARBN 604 398 423 (**AirXpanders** or the **Company**).

The Rights Offering is being made in accordance with Section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**). A reference to Section 708AA in this Australian Offer Booklet means Section 708AA of the Corporations Act as modified by ASIC Class Order [CO 14/827] and ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84. Accordingly, this Australian Offer Booklet is not a prospectus and does not contain all information which an investor may require to make an informed investment decision.

### About the U.S. Prospectus

On 3 August 2018, AirXpanders filed a registration statement on Form S-1 (including exhibits) with the United States Securities and Exchange Commission, or the SEC, which contains a prospectus covering the rights and the shares of Common Stock to be represented by the CDIs to be issued upon exercise of the rights under the proposed Rights Offering (**U.S. Prospectus**). The U.S. Prospectus is not a prospectus or other disclosure document for the purposes of Chapter 6D of the Corporations Act and has not been lodged with ASIC.

The Company has filed a registration statement (including a U.S. prospectus) with the United States Securities and Exchange Commission (**SEC**) for the offering to which this communication relates. Before you invest, you should read the final prospectus in that registration statement and other documents the Company has filed with the SEC for more complete information about the Company and this offering. You may get these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). A copy of the final U.S. Prospectus included in the registration statement accompanies this Australian Offer Booklet. Alternatively, the Company will arrange to send you the final prospectus if you request by calling Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 8.30am and 5.00pm (AEST) on business days during the offer period. The U.S. prospectus is not a prospectus or other disclosure document for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) and has not been lodged with the Australian Securities and Investments Commission.

**This Australian Offer Booklet must be read in conjunction with the U.S. Prospectus. If there is any inconsistency between this Australian Offer Booklet and the U.S. Prospectus, then the contents of the U.S. Prospectus will prevail.**

### Forward-looking statements

The U.S. Prospectus and this Australian Offer Booklet 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, including those related to the completion, timing and use of proceeds relating to the proposed offerings are forward-looking statements. These include, without limitation, risks and uncertainties related to the effectiveness of the S-1, market conditions and the satisfaction of customary closing conditions related to the proposed offerings.

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 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 additional information and considerations regarding the risks faced by AirXpanders that could cause actual results to differ materially, see its most recent Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on July 31, 2018 (U.S. time), and in the Registration Statement on Form S-1 (including prospectus) related to the proposed offerings, including under the caption "Risk Factors" as well as other periodic reports filed with the SEC from time to time. AirXpanders disclaims any obligation to update information contained in any forward-looking statement, except as required by law.

### Foreign jurisdictions

The Rights Offering is not being extended to Eligible Holders in jurisdictions outside Australia and New Zealand and no action has been taken to register, or otherwise permit, the offer of New CDIs to be made under the laws of any jurisdiction outside of Australia and New Zealand. It is your responsibility to ensure that you comply with any laws of your jurisdiction which are applicable to you and which are relevant to you applying for New CDIs under the Rights Offering.

The distribution by you of this Australian Offer Booklet (including an electronic copy) outside Australia and New Zealand may be restricted by law. You should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities law. This Australian Offer Booklet is not for release to US wire services or distribution in the United States.

**No recommendation**

The Rights Offering is not a recommendation to acquire CDIs. Neither the U.S. Prospectus nor this Australian Offer Booklet constitute financial product advice and do not take into account the individual investment objectives, financial situation or particular needs of each Eligible Holder. Eligible Holders wanting to participate in the Rights Offering should obtain independent advice in relation to the taxation and other consequences of an investment under the Rights Offering before making a decision as to whether to participate in the Rights Offering. A cooling-off regime does not apply in relation to the acquisition of CDIs under the Rights Offering.

**Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Rights Offering that is not contained in the U.S. Prospectus or this Australian Offer Booklet. Any information or representation that is not contained in the U.S. Prospectus or this Australian Offer Booklet may not be relied on as having been authorised by AirXpanders in connection with the Rights Offering. Except as required by law, and only to the extent so required, none of AirXpanders, or any other person, warrants or guarantees the future performance of AirXpanders or any return on any investment made pursuant to the Rights Offering.

**No financial product advice**

This Australian Offer Booklet is not financial product advice, does not purport to contain all the information that you may require to make an investment decision, and has been prepared without taking into account your personal investment objectives, financial situation or needs.

Before deciding whether to apply for New CDIs under the Rights Offering, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If after reading this booklet, you have any questions about the Rights Offering, you should contact your financial or other professional adviser.

**Definitions and references to time**

Capitalised words and expressions in this Australian Offer Booklet have the meanings given in Section 4.

A reference to time in this Australian Offer Booklet is to Australian Eastern Standard time, unless otherwise stated.

All financial amounts in this Australian Offer Booklet are references to Australian currency, unless otherwise stated.

**Date of this document**

This Australian Offer Booklet is dated 3 August 2018.

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## **Contents**

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<b>Chairman's Letter</b>		<b>5</b>
<b>1</b>	<b>Overview of the Rights Offering</b>	<b>7</b>
<b>2</b>	<b>Choices available to Eligible Holders</b>	<b>10</b>
<b>3</b>	<b>Further Information</b>	<b>14</b>
<b>4</b>	<b>Glossary and Interpretation</b>	<b>16</b>
<b>Corporate Directory</b>		<b>18</b>

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## Chairman's Letter

3 August 2018

Dear Stockholders and holders of CHESS Depositary Interests,

On behalf of the Board, I am pleased to invite you to participate in a pro rata, non-renounceable rights offering of CHESS Depositary Interests (**CDIs**), representing new fully paid shares of Common Stock in AirXpanders (**New CDIs**), at a price of A\$0.075 per CDI (**Rights Offering**).

On 3 August 2018, AirXpanders announced the Rights Offering and a separate private placement (**Private Placement**), which is expected to close concurrent with the Rights Offering. Together, the Rights Offering and Private Placement will raise approximately A\$20.3 million before costs and expenses. The net proceeds from the Rights Offering and Private Placement, together with other available funds, including cash on hand, will be used to continue our U.S. commercialisation effort and for general corporate purposes.

### Overview of Rights Offering

The Rights Offering is being made to all persons who are registered as holders of AirXpanders' Common Stock or CDIs as at 7.00pm (Australian Eastern Standard time) on Wednesday, 8 August 2018 (**Record Date**) with a registered address in Australia or New Zealand (**Eligible Holders**). Stockholders and CDI holders with a registered address outside Australia and New Zealand, or who are US Persons (as defined in Regulation S under the US Securities Act of 1933) or who are acting for the account or benefit of such persons, are considered ineligible and cannot participate in the Rights Offering.

Under the Rights Offering, Eligible Holders have the opportunity to subscribe for fifteen (15) New CDIs for every sixteen (16) CDIs (or forty-five (45) New CDIs for every sixteen (16) shares of Common Stock) which they hold at 7.00pm (Australian Eastern Standard time) on the Record Date at an issue price of A\$0.075 per New CDI (**Issue Price**). Fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs. The Rights Offering is non-renounceable.

The Rights Offering is underwritten. AirXpanders has entered into an Underwriting Agreement with the Australian Underwriter (as defined in Section 1.5 of this Australian Offer Booklet).


### Action you should take

**The Rights Offering is currently scheduled to close at 5.00pm (Australian Eastern Standard time) on 22 August 2018.** If you wish to subscribe for New CDIs, you must ensure that your application and payment is received by this time in accordance with the instructions set out in the U.S. Prospectus and summarised in Section 2.2 of this Australian Offer Booklet.

The U.S. Prospectus and this Australian Offer Booklet contain important information regarding the Rights Offering, and I encourage you to read both documents carefully before making any investment decision. If you have any questions, you should consult your financial or other professional adviser.

For further information regarding the Rights Offering, please call AirXpanders' CDI registry, Computershare Investor Services Pty Limited, on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 8.30am and 5.00pm (Australian Eastern Standard time) on Business Days during the offer period for the Rights Offering.

Yours sincerely



**Barry Cheskin**  
**Chairman**

## KEY DATES TO KEEP IN MIND

Announcement of Rights Offering	3 August 2018
Ex-date	7 August 2018
Record Date	7.00pm on 8 August 2018
Offer materials dispatched	13 August 2018
Rights Offering opens	9.00am on 13 August 2018
Rights Offering closes	5.00pm on 22 August 2018
Shortfall announced to ASX	27 August 2018
Issue of New CDIs	30 August 2018
New CDIs under Rights Offering commence trading on ASX on a normal basis	31 August 2018
Dispatch of holding statements	3 September 2018

Dates and times in this Australian Offer Booklet are indicative only and subject to change. All dates and times are references to Australian Eastern Standard time.

AirXpanders, with the consent of the Australian Underwriter, reserves the right to amend any or all of these dates and times, subject to the Corporations Act, the ASX Listing Rules and other applicable laws and regulations. In particular, AirXpanders reserves the right to extend the Closing Date, to accept late Applications under the Rights Offering (either generally or in particular cases) and to withdraw the Rights Offering without prior notice. Any extension of the Closing Date may have a consequential impact on the date that New CDIs are issued and commence trading on the ASX. Applicants are encouraged to submit their personalised Entitlement and Acceptance Forms as soon as possible after the Rights Offering opens.

AirXpanders also reserves the right not to proceed with the whole or part of the Rights Offering at any time prior to the issue of the New CDIs. In that event, application monies (without interest) would be returned to applicants.



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## **1 Overview of the Rights Offering**

### **1.1 Summary**

The Rights Offering is a pro rata offer of approximately 208,893,798 New CDIs, representing new fully paid shares of Common Stock in AirXpanders, at A\$0.075 per New CDI to raise approximately A\$15.7 million before costs and expenses.

Eligible Holders are entitled to subscribe for fifteen (15) New CDIs for every sixteen (16) CDIs (or forty-five (45) New CDIs for every sixteen (16) shares of Common Stock) held by them at 7.00pm (Australian Eastern Standard time) on the Record Date. Fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs.

The Rights Offering is non-renounceable. Eligible Holders who do not take up their rights in full will not receive any value in respect of that part of their rights that they do not take up.

The choices available to Eligible Holders in respect of the Rights Offering are described in Section 2.

The Rights Offering opens at 9.00am (Australian Eastern Standard time) on 13 August 2018 and is currently scheduled to close at 5.00pm (Australian Eastern Standard time) on 22 August 2018.

### **1.2 Eligible Holders**

The Rights Offering will be made to all persons who are registered as holders of AirXpanders' Common Stock or CDIs as at 7.00pm (Australian Eastern Standard time) on Wednesday, 8 August 2018 (**Record Date**) with a registered address in Australia or New Zealand (**Eligible Holders**). Stockholders and CDI holders with a registered address outside Australia and New Zealand, or who are US Persons (as defined in Regulation S under the US Securities Act of 1933) or who are acting for the account or benefit of such persons, are considered ineligible and cannot participate in the Rights Offering.

### **1.3 How many rights am I receiving?**

The number of New CDIs to which you are entitled under the Rights Offering is shown in the personalised Entitlement and Acceptance Form. In calculating each Eligible Holder's total entitlement, fractional entitlements to New CDIs have been rounded up to the nearest whole number of New CDIs. Eligible Holders can subscribe for all, or part, of their pro rata entitlement under the Rights Offering. Detailed instructions on how to accept all, or part of, your pro rata entitlement are set out in Section 2.

AirXpanders reserves the right to reduce the number of New CDIs allocated to Eligible Holders, or persons claiming to be Eligible Holders, if their claims as to the extent of their entitlements prove to be overstated or they fail to provide information to substantiate their claims.

Please note that if you choose not to take up your rights, your relative ownership in AirXpanders will be diluted.

### **1.4 No trading of rights**

Entitlements under the Rights Offering are non-renounceable and will not be tradeable on the ASX or otherwise transferable. Eligible Holders who do not take up

their rights in full will not receive any value in respect of that part of their rights that they do not take up.

## **1.5 Underwriting arrangements**

The Rights Offering is underwritten. AirXpanders has entered into an underwriting agreement (**Underwriting Agreement**) with Canaccord Genuity (Australia) Limited (**Australian Underwriter**). Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Australian Underwriter has agreed to subscribe or procure subscriptions for any New CDIs for which valid applications are not received from Eligible Holders plus any New CDIs which would have been offered to Ineligible Holders had such securityholders been Eligible Holders (other than the New CDIs that would have been offered to the purchasers in the Private Placement and the equivalent number of additional CDIs purchased by such purchasers in the Private Placement). The amount being underwritten by the Australian Underwriter is therefore approximately A\$15.7 million.

A summary of the Underwriting Agreement, including fees payable to the Australian Underwriter and the material events whereby the Australian Underwriter may terminate its obligations under the Underwriting Agreement, is set out in the U.S. Prospectus in the section titled “Underwriting” on pages 37 to 39 (inclusive).

## **1.6 Private Placement**

Certain funds affiliated with Vivo Ventures, one of our large stockholders (**Vivo Ventures**), and Barry Cheskin, our non-executive Chairman, have agreed to purchase a total of 20,441,183 shares of Common Stock (equivalent to 61,323,549 CDIs) in the Private Placement at a price per share equal to the price per share of the Common Stock in the Rights Offering (converted to US dollars). Vivo Ventures has agreed to deposit its subscription monies to be held in escrow on or about 8 August 2018, pending closing of the Rights Offering. The placement to Vivo Ventures is expected to close immediately following the Rights Issue, however, the issue of shares to Mr. Cheskin is subject to stockholder approval. A stockholders’ meeting will be held as soon as practicable to seek the relevant approval.

No rights are being offered to these investors in the Rights Offering.

## **1.7 The effect of the Rights Offering on AirXpanders**

If all Eligible Holders participate in the Rights Offering, AirXpanders does not anticipate that the Rights Offering, along with the Private Placement, will have a material effect on the control of AirXpanders. However, the Australian Underwriter (and any sub-underwriters) will be purchasing any New CDIs not otherwise purchased by Eligible Holders, or that would have been issuable to Ineligible Holders if they had been Eligible Holders (other than the New CDIs that would have been offered to the purchasers in the Private Placement and the equivalent number of additional CDIs purchased by such purchasers in the Private Placement). To the extent that Eligible Holders do not participate in the Rights Offering, the Australian Underwriter (and any sub-underwriters) will purchase such New CDIs, which will result in the ownership of those New CDIs (and the shares of Common Stock underlying those New CDIs) by the Australian Underwriter (or any sub-underwriters), and the resulting decrease in percentage beneficial ownership of the holders of Common Stock, whether directly or through the holding of CDIs.

Vivo Ventures, one of the Company’s largest stockholders, is purchasing more shares of Common Stock in the Private Placement than its pro-rata entitlement would have been under the Rights Offering had it been an Eligible Holder, therefore its percentage ownership in the Company will increase as a result of the Private Placement. Vivo Ventures currently beneficially owns 16,842,159 shares of Common

Stock in the Company (the equivalent of 50,526,477 CDIs), being approximately 17.53% of all shares of common stock of the Company (not including any shares or New CDIs to be issued under the Private Placement or Rights Offering). On completion of the Private Placement and Rights Offering, it is expected that Vivo Ventures will beneficially own 36,984,282 shares of Common Stock in the Company (the equivalent of 110,952,846 New CDIs), being approximately 19.87% of all outstanding shares of the Company (subject to the effects of rounding under the Rights Offering).

Additional information on the effects of the Rights Offering is included in the U.S. Prospectus. See particularly the sections titled "Capitalization" on page 22 and "Dilution" on page 23.

## **1.8 Risk factors**

You should read the "Risk Factors" outlined in the U.S. Prospectus before you take up your rights. See pages 9 to 19 (inclusive).

**This Australian Offer Booklet must be read in conjunction with the U.S. Prospectus.**

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## **2 Choices available to Eligible Holders**

### **2.1 Your choices**

If you are an Eligible Holder, the following choices are available to you:

<b>Option</b>	<b>See Section</b>
Participate in the Rights Offering	2.2
Take no action	2.7

### **2.2 How to participate in the Rights Offering**

#### **2.2.1 Taking up some or all of your pro rata allocation**

To subscribe for New CDIs offered to you under your pro rata allocation, please complete the accompanying Entitlement and Acceptance Form according to the instructions on the form for all, or that part, of your pro rata entitlement you wish to subscribe for.

#### **2.2.2 Payment**

The Issue Price of A\$0.075 per New CDI is payable in full on application.

Payments must be received by 5.00pm (Australian Eastern Standard time) on the Closing Date and must be in Australian currency and made by:

- (a) cheque drawn on and payable at any Australian bank;
- (b) bank draft or money order drawn on and payable at any Australian bank; or
- (c) BPAY®.

If you wish to pay by BPAY®, you do not need to return the Entitlement and Acceptance Form. You simply need to follow the instructions on the Entitlement and Acceptance Form. Different financial institutions may implement earlier cut-off times with regards to electronic payment, so please take this into consideration when making payment by BPAY®. It is your responsibility to ensure that funds submitted through BPAY® are received by no later than 5.00pm (Australian Eastern Standard time) on the Closing Date.

AirXpanders will treat you as applying for as many New CDIs as your payment will pay for in full. Amounts received in excess of payment for your pro rata entitlement will be refunded.

Cheques, bank drafts and money orders must be made payable to "AirXpanders, Inc." and crossed 'Not Negotiable'. Cash payments will not be accepted. Receipts for payment will not be provided.

AirXpanders will not be responsible for any postal or delivery delays or delay in the receipt of your BPAY® payment.

The CDI Registry will hold your application monies in a segregated account with other payments received from other Eligible Holders until AirXpanders issues the New CDIs.

Any interest earned on payments of the Issue Price will be for AirXpanders' benefit and will be retained by AirXpanders irrespective of whether any issue of New CDIs takes place.

### **2.2.3 Return completed Entitlement and Acceptance Form and payment**

Unless you are paying by BPAY®, completed Entitlement and Acceptance Forms and payment of application money should be forwarded to the CDI Registry by mail in the enclosed prepaid envelope or, if you are outside of Australia or do not use the prepaid envelope, by mail addressed to:

AirXpanders, Inc.  
C/- Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001  
Australia

Completed Entitlement and Acceptance Forms and payments must be received by 5.00pm (Australian Eastern Standard time) on the Closing Date.

Please note that all acceptances, once received, are irrevocable.

If you wish to pay by BPAY®, you do not need to return the Entitlement and Acceptance Form. Please see Section 2.2.2 above for details.

## **2.3 Representations you will be taken to make by acceptance**

By completing and returning your Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have:

- (a) represented and warranted that there has been no breach by you of the laws of the country which apply to you and are relevant to you applying for New CDIs under the Rights Offering;
- (b) acknowledged that you have fully read and understood the U.S. Prospectus, this Australian Offer Booklet and the Entitlement and Acceptance Form in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in the U.S. Prospectus, this Australian Offer Booklet and the Entitlement and Acceptance Form;
- (c) agreed to be bound by the terms of the Rights Offering, the provisions of the U.S. Prospectus, this Australian Offer Booklet and AirXpanders' certificate of incorporation and bylaws;
- (d) authorised AirXpanders to register you as the holder of the New CDIs allotted to you;
- (e) declared that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Rights Offering;
- (f) acknowledged that once AirXpanders receives your Entitlement and Acceptance Form or any payment of application monies via BPAY®, you may not withdraw your application or funds provided except as allowed by law;

- (g) agreed to apply for and be issued up to the number of New CDIs specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any application monies via BPAY®, at the Issue Price per New CDI;
- (h) authorised AirXpanders, the CDI Registry and their respective officers, employees or agents to do anything on your behalf necessary for New CDIs to be issued to you;
- (i) declared that you were the registered holder at the Record Date of the CDIs indicated in the Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) acknowledged that the information contained in the U.S. Prospectus, this Australian Offer Booklet and your Entitlement and Acceptance Form is not investment advice nor a recommendation that the New CDIs are suitable for you given your investment objectives, financial situation or particular needs;
- (k) acknowledged that the U.S. Prospectus and this Australian Offer Booklet is not a prospectus under Chapter 6D of the Corporations Act, may not contain all of the information that you may require in order to assess an investment in AirXpanders and is given in the context of AirXpanders' past and ongoing continuous disclosure announcements to the ASX;
- (l) acknowledged the statement of risks in the "Risk Factors" section of the U.S. Prospectus and that investments in AirXpanders are subject to risk;
- (m) acknowledged that none of AirXpanders or its related bodies corporate, affiliates and none of its or their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of AirXpanders, nor do they guarantee the repayment of capital;
- (n) agreed to provide any requested substantiation of your eligibility to participate in the Rights Offering and your holding of CDIs and shares on the Record Date; and
- (o) authorised AirXpanders to correct any errors in your Entitlement and Acceptance Form.

## **2.4 No minimum subscription**

There is no minimum subscription for the Rights Offering.

## **2.5 No cooling off rights**

Cooling off rights do not apply to an investment in New CDIs. You cannot withdraw your application once it has been made.

## **2.6 Refunds of excess application monies**

Any application monies received for more than the number of New CDIs issued to you (but only where the excess amount is A\$2.00 or greater) will be refunded as soon as reasonably practicable following the close of the Rights Offering. No interest will be paid on any application monies.

Payment of any refund will be made either by:

- (a) cheque mailed to your address as last recorded in AirXpanders' register of members; or
- (b) direct credit, but only where you have previously nominated to receive payment of dividends by direct credit and have not withdrawn that nomination.

In all cases, the payment method will be at AirXpanders' discretion.

## **2.7 If you do nothing**

If you do not apply for New CDIs pursuant to the Rights Offering, your rights under the Rights Offering will lapse.

If you do not apply for CDIs pursuant to the Rights Offering, your relative ownership in AirXpanders will be diluted because the issue of New CDIs under the Rights Offering will increase the total number of CDIs on issue.

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## **3 Further Information**

### **3.1 Taxation**

An overview of the potential tax treatment for certain non-U.S. holder investors and Australian tax residents is set out in the U.S. Prospectus on pages 30 to 37. Eligible Holders are advised to obtain their own professional taxation advice before making a decision in relation to the Rights Offering.

### **3.2 This Australian Offer Booklet is not a prospectus**

The Rights Offering is being conducted in accordance with Section 708AA of the Corporations Act. In general terms, Section 708AA relates to rights issues by certain companies that do not require the preparation of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Australian Offer Booklet is considerably less than the level of disclosure required in a prospectus.

As a result, in deciding whether or not to accept the Rights Offering, you should rely on your own assessment of your best interests, refer to disclosures made by AirXpanders to the ASX (which are available for inspection on the ASX website at [www.asx.com.au](http://www.asx.com.au) and on AirXpanders' website at <https://www.airxpanders.com>) and seek the advice of your professional adviser.

### **3.3 Future performance**

The words "anticipate", "believe", "expect", "project", "estimate", "likely", "intend", "should", "could", "may", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in the U.S. Prospectus and this Australian Offer Booklet are based on assumptions and contingencies which are subject to change without notice as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

An investment in AirXpanders is subject to investment and other known and unknown risks, some of which are beyond the control of AirXpanders. AirXpanders does not guarantee any particular rate of return or the performance of AirXpanders nor does it guarantee the repayment of capital from AirXpanders or any particular tax treatment.

### **3.4 Past performance**

Past performance information given in the U.S. Prospectus and this Australian Offer Booklet is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

### **3.5 Foreign holders**

The Rights Offering is not being extended to Eligible Holders in jurisdictions outside Australia and New Zealand, and no action has been taken to register, or otherwise permit, the offer of New CDIs to be made under the laws of any jurisdiction outside of Australia and New Zealand.

The distribution by you of the U.S. Prospectus and this Australian Offer Booklet (including any electronic copy) outside Australia and New Zealand may be restricted by law.



### **3.5.1 Important information for New Zealand residents**

The CDIs are not being offered to the public within New Zealand other than to existing stockholders and CDI holders of AirXpanders with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Australian Offer Booklet has been prepared in compliance with Australian law and the U.S. Prospectus has been prepared in compliance with U.S. law. Neither document has not been registered, filed with or approved by any New Zealand regulatory authority. This Australian Offer Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

## **3.6 Privacy**

By submitting an Entitlement and Acceptance Form, you will be providing personal information to AirXpanders (directly or through the CDI Registry). AirXpanders collects, holds and will use that information to assess and process your application, administer your holding in AirXpanders and to provide related services to you. AirXpanders may disclose your personal information for purposes related to your holding in AirXpanders, including to the CDI Registry, AirXpanders' related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies.

You can obtain access to personal information that AirXpanders holds about you. To make a request for access to your personal information held by (or on behalf of) AirXpanders, please contact AirXpanders through the CDI Registry.

## **3.7 Governing law**

This Australian Offer Booklet, the Rights Offering and the contracts formed on acceptance of the Rights Offering are governed by the laws applicable in Victoria, Australia.

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## 4 Glossary and Interpretation

### 4.1 Definitions

In this Australian Offer Booklet, the following words have the following meanings unless the context requires otherwise:

Term	Meaning
<b>\$ or A\$</b>	Australian dollars.
<b>AirXpanders or Company</b>	AirXpanders, Inc. ARBN 604 398 423.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
<b>ASX Listing Rules</b>	The official listing rules of the ASX as amended or replaced from time to time.
<b>Australian Offer Booklet</b>	This Australian offer booklet dated 3 August 2018.
<b>Australian Underwriter</b>	Canaccord Genuity (Australia) Limited.
<b>Board</b>	The board of directors of AirXpanders.
<b>BPAY®</b>	The electronic payment facility by that name.
<b>Business Day</b>	A day which is not a Saturday, Sunday or a public holiday in Victoria.
<b>CDI</b>	A CHESS Depositary Interest, being a unit of beneficial ownership of shares of Common Stock (with each CDI being equivalent to one-third of a share of Common Stock).
<b>CDI Registry</b>	Computershare Investor Services Pty Limited.
<b>Closing Date</b>	The deadline for accepting the Rights Offering, being 5.00pm on 22 August 2018 (subject to change).
<b>Common Stock</b>	Fully paid shares of Class A common stock in AirXpanders.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Eligible Holder</b>	Has the meaning given in Section 1.2.
<b>Entitlement and Acceptance Form</b>	The personalised form which may be used to make an application for New CDIs under the Rights Offering.

<b>Issue Price</b>	The price payable for each New CDI under the Rights Offering, being A\$0.075.
<b>New CDIs</b>	The CDIs offered pursuant to the Rights Offering.
<b>Private Placement</b>	The offer of 20,441,183 shares of Common Stock (equivalent to 61,323,549 CDIs) to certain funds affiliated with Vivo Ventures, and Mr. Barry Cheskin.
<b>Record Date</b>	7.00pm (Australian Eastern Standard time) on Wednesday, 8 August 2018.
<b>Rights Offering</b>	The pro rata non-renounceable rights issue to Eligible Holders outlined in the U.S. Prospectus and this Australian Offer Booklet.
<b>SEC</b>	United States Securities and Exchange Commission.
<b>U.S. Prospectus</b>	The prospectus filed with the registration statement on Form S-1, filed by AirXpanders with the SEC on Friday, 3 August.

## 4.2 Interpretation

In this Australian Offer Booklet, unless the context otherwise requires:

- (a) where fractions arise in the calculations, they will be rounded up to the nearest whole number of New CDIs.
- (b) the singular includes the plural, and vice versa;
- (c) words importing one gender include other genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Australian Offer Booklet have corresponding meanings;
- (e) terms used in this Australian Offer Booklet and defined in the Corporations Act have the meanings ascribed to them in the Corporations Act;
- (f) other grammatical forms of a word or phrase defined in this Australian Offer Booklet have a corresponding meaning; and
- (g) a reference to a Section is a reference to a Section of this Australian Offer Booklet.

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## Corporate Directory

### DIRECTORS

Barry Cheskin – Co-Founder and Chairman  
Frank Grillo – President and Chief Executive Officer  
Dennis Condon – Non-Executive Director  
Elizabeth Hammack - Non-Executive Director  
Gregory Lichtwardt - Non-Executive Director  
Zita Peach - Non-Executive Director

### AUSTRALIAN UNDERWRITER

Canaccord Genuity (Australia) Limited  
Level 4, 60 Collins Street  
Melbourne VIC 3000  
Australia

### COMPANY SECRETARY

Brendan Case

### U.S. HEADQUARTERS

3047 Orchard Parkway  
San Jose, CA 95134  
United States of America

### CDI REGISTRY

Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001  
Australia

### AUSTRALIAN SOLICITORS

Johnson Winter & Slattery  
20 Bond Street  
Sydney NSW 2000  
Australia

### Information Line:

Phone (within Australia): 1300 850 505  
Phone (outside Australia): +61 3 9415 4000  
Open 8.30am to 5.00pm on Business Days





**For all enquiries:****Phone:**

(within Australia) 1300 850 505  
(outside Australia) 61 3 9415 4000

**Web:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

AXP

MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

**Make your payment:**

See overleaf for details of the Offer and how to make your payment

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## Non-Renounceable Rights Issue — Entitlement and Acceptance Form

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**Your payment must be received by 5:00pm (AEST) 22 August 2018**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

**Step 1: Registration Name & Offer Details**

Details of the securityholding and entitlements for this rights issue are shown overleaf.

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

**Step 2: Make Your Payment**

You can apply to accept either all or part of your Entitlement. By making your payment you confirm that you agree to all of the terms and conditions as detailed in the U.S Prospectus and the Australian Offer Booklet.

Choose one of the payment methods shown below.

**BPAY®:** See overleaf. Do not return the payment slip with BPAY payment.

**By Mail:** Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**AirXpanders Inc**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

**Turn over for details of the Offer →**

