

ASX ANNOUNCEMENT

AirXpanders issues Shareholder Newsletter

PALO ALTO, CA, United States, 21 August 2015: AirXpanders Ltd. (ASX:AXP) a medical device company focused on the design, manufacture, sale and distribution of the AeroForm® tissue expander, has lodged its quarterly Shareholder Newsletter with the ASX today.

Future issues of the newsletter will be distributed in digital-only format. Those interested in receiving Company news each quarter should register at www.airxpanders.com/contact-us/.

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About AirXpanders

Founded in 2005, AirXpanders (ASX:AXP) is a medical device company focused on the design, manufacture, sale and distribution of its AeroForm® tissue expander used in patients undergoing breast reconstruction following mastectomy. AeroForm® uses controlled delivery of small amounts of gas (CO₂) to achieve tissue expansion prior to the placement of a permanent breast implant. AeroForm® successfully eliminates the need for needle-based expansion required by traditional saline tissue expanders and provides a faster and less painful breast reconstruction journey. AeroForm® has CE Mark and TGA approval and is covered by the Australian reimbursement regime. To date, AeroForm® has been successfully implanted more than 500 times in women in Australia and the United States. For more information, refer to the Company's website at www.airxpanders.com.



Scott Dodson **CEO**

Sign up to receive our quarterly e-news

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

A message from the CEO

I am very happy to present AirXpanders' first quarterly newsletter. Following the overwhelmingly positive response to our recent IPO in Australia, we have plenty to report on. We continue to benefit from the strong support of domestic and international institutional investors as well as our valued retail investors.

We have commenced the full commercial launch of AeroForm® in Australia with the appointment of a National Business Manager and highly experienced local salesforce. We have already had an excellent response to the AeroForm®, with a number of influential surgeons booking procedures with our new sales organisation.

Further actions to come out of our IPO include our 510K filing which will see us present a dossier of data to the US Food and Drug Administration (FDA) in support of our request for a marketing clearance. Pending FDA approval, AirXpanders expects to launch the AeroForm® device shortly thereafter. The US represents a significant opportunity for the company with 120,000 tissue expander devices that are used each year and a total addressable market of over 350,000 devices per year. The breast reconstruction market continues to accelerate as more women around the world opt for bilateral mastectomies and reconstruction procedures.

We are making great strides in the automation, build out and transfer of our manufacturing line from our existing

centre in Palo Alto, California to a certified contract manufacturer in Costa Rica. We expect to complete the move in 2016 which will ultimately give us the capacity to ramp up production to 100,000 units per annum at a much lower cost per unit. This will help us realistically target very attractive gross margins from AeroForm® in the US as we ramp up our production levels in concert with the expected increase in demand.

On the talent front, we are very engaged with the identification of talent to help lead our US Sales and Global Marketing efforts for AeroForm®. Given the differentiation and clinical success of our device, we have had a high level of interest from top talent from within the plastic surgery industry who would bring with them long standing relationships and knowledge of establishing new technology into the global plastic surgery marketplace. I am excited to add these key members to the management team as we get closer to our commercial approval in the US. It is an exciting time for AirXpanders. We are well-positioned to capitalise on the substantial opportunities ahead and I am committed to maintaining open communication with all of our investor groups throughout the year.

Thank you again for your investment and support of the company.

With kind regards,

Scott Dodson
Chief Executive Officer

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AirXpanders in Australia and New Zealand

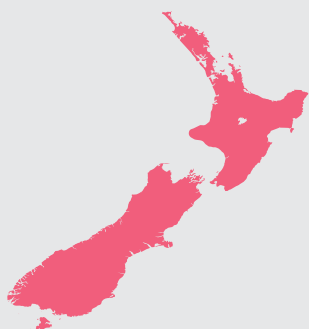
Australia is an important 'second home' to US-based AirXpanders. Three of the company's clinical trials were conducted here and AirXpanders has the backing of a number of important Australian institutional investors. The company recently made a successful debut on the Australian Securities Exchange and the company is currently engaged in its first full commercial launch of the AeroForm®

device across the country. Currently AeroForm® is approved and reimbursed throughout Australia.

The similarity of the Australian market to the US in terms of disease incidence, surgeon training, patient presentation, surgical treatments and reimbursement, make this region very important in terms of understanding the sales process and

best practices that can be transferred to other markets like the US when they come on line.

CEO and President, Scott Dodson has made a number of trips down under this year to engage with surgeons and investors. Here is a summary of recent regional events the company has participated in:



Bioshares Biotech Summit, New Zealand

The annual Biotech Summit is hosted each year by Bioshares, one of Australia's leading independent biotech investment publications.

This year's event, the 11th Biotech Summit, was held in picturesque Queenstown in New Zealand in July and was supported by more than 170 industry attendees. Scott Dodson took part, presenting to fellow CEOs, fund managers and retail investors, and providing insights into his 25 years of industry experience, with lessons in scaling up manufacturing.



Investor events in Australia

AirXpanders hosted two successful investor events in Melbourne and Sydney in late July. Investors attended breakfast and lunch events in the two cities, hosted by Scott Dodson, President and CEO of AirXpanders. Attendees heard from renowned plastic and reconstructive surgeon, Dr Tony Connell, about his firsthand experience with the AeroForm® tissue expander.

Dr Connell has taken part of in three of AirXpanders' four clinical trials, and has implanted over 180 AeroForm®

devices to date. Dr Connell offered insights into his experience with the AeroForm® device as a physician to more than 40 investors over a breakfast in Sydney and a luncheon in Melbourne, including a number of investors who had dialled in from Hong Kong and Singapore to participate.

We appreciate the commitment of those who got up early to attend a 7.30am breakfast in Sydney!

AirXpanders drives further international momentum with new research

AirXpanders is pleased to share that two significant studies supporting the AeroForm® device have been published in peer reviewed journals. The studies were authored by plastic and reconstructive surgeon, Dr Tony Connell, who has implanted over 180 AeroForm® devices to date.

Results of the first trial, titled ASPIRE, were published this month in the Journal of Plastic, Reconstructive and Aesthetic Surgery and demonstrated an overall success rate of 94 per cent in 21 patients and over 40 devices, with no device-related reconstruction failures.

The second study involved a series of rigorous lab tests which assessed the effects of pressurised air travel on AeroForm® tissue expanders. The results, published in the June 2015 online issue of ASME Journal of Medical Devices, demonstrate that patients do not need to restrict travel while they have the AeroForm® implanted during their reconstruction.

Dr Connell said: "By developing a series of unique and innovative tests, we were able to simulate the effects of pressurised flight in the laboratory. The outcomes confirmed that the structural capability of the expander can withstand the additional pressure placed on it during a commercial airline flight.

Additionally, over 12 patients flew with the devices in place during the clinical trials, helping confirm the bench-top testing that we completed for the publication.

"The findings of both studies demonstrate the strong benefits of AeroForm® for helping patients maintain a normal lifestyle during cancer treatment."

The AeroForm® device is CE Marked, has TGA approval in Australia and has been successfully used in more than 350 patients in clinical trials and commercial settings in both the U.S. and Australia.



Events

August/September

510(k) filing

The company is planning to file its 510(k) with the US Food and Drug Administration (FDA).

24-28 August

Half-year financial results

and quarterly investor conference call

October 16-20

Plastic Surgery: The Meeting American Society of Plastic Surgeons

AirXpanders will present data from its pivotal US XPAND study at this year's ASPS conference in Boston.

October 27 and 29

ASX Asia Spotlight Singapore and Hong Kong

AirXpanders will present to international institutional investor audiences in Singapore and Hong Kong as part of the Australia Securities Exchange's Asia Spotlight conference. The conference is hosted twice yearly and attracts representation from a selection of Australia's leading public companies.

October 30

Quarterly financial results

and investor conference call



In the news

Australian Associated Press

Positive market debut for AirXpanders

22 June 2015

The US based company behind a device that could help transform breast reconstruction methods has had a positive start to trading on the Australian share market.

The Australian

AirXpanders targets breast reconstruction gap

22 June 2015

The latest local initial public offering of a Silicon Valley entity is targeting the wide gap between breast cancer patients who undergo a mastectomy and those who subsequently seek a breast reconstruction.

Herald Sun

Air expanders helping women recover from breast cancer surgery

3 June 2015

Australian women recovering from breast cancer surgery now have access to air expanders they can inflate on their own, preventing painful injections and doctor's visits and reducing the time between their mastectomy and reconstruction.

Australian Financial Review

AirXpanders taps Canaccord for \$32m IPO

20 April 2015

US-based breast reconstruction products company AirXpanders is seeking to raise \$US 25 million (\$32 million) in an initial public offering that includes the sale of ASX-listed chess depository interests (CDI).



CEO, Scott Dodson, at the AirXpanders Palo Alto offices with Kirsty Amland, Lisa Lober, Rebecca Habersberger and Tina Heath.

AirXpanders bolsters Australian presence with salesforce appointments

AirXpanders has appointed a National Business Manager and three highly experienced Territory Managers to drive the full market release of AeroForm® across Australia.

Kirsty Amland has joined AirXpanders from Johnson & Johnson Medical, where she led strategy and marketing activity for the Mentor plastic and reconstructive surgery business unit. Tina Heath, Rebecca Habersberger and Lisa Lober joined the Company in June.

AirXpanders President and CEO, Mr Scott Dodson, said: "I am delighted to announce that we have established a high quality sales team with a wealth of experience in plastic and reconstructive medical device sales and excellent relationships with surgeons and clinics in their regions.

"Our recent IPO has driven a high level of enquiry and I'm pleased to say that

our sales staff are fully engaged in training new surgeons and booking procedures with the AeroForm® device."

Tina Heath joins AirXpanders from Allergan, where her sales and business development career spanned more than 10 years in Australia and the UK. Tina will be responsible for driving the launch of AeroForm® in Queensland.

Rebecca Habersberger has specialised in Plastic and Aesthetic device sales at Allergan, Device Technologies, 3M and most recently Merz, and will be responsible for markets in Victoria and Tasmania.

Lisa Lober, Territory Manager for New South Wales and South Australia, previously worked at Cook Medical where she took a lead role in the launch of the BioDesign ADM into the breast reconstruction market in Australia.

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