

AIRXPANDERS, INC. (ARBN 604 398 423) (COMPANY OR AIRXPANDERS)**CORPORATE GOVERNANCE STATEMENT**

This Corporate Governance Statement sets out the extent to which the Company currently follows or will follow, as at the admission date to the official list of ASX, the recommendations set by the ASX Corporate Governance Council's 3rd edition Corporate Governance Principles and Recommendations.

	RECOMMENDATIONS	COMPLIANCE	COMMENTS
1	Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Complies	The Company's Board Charter sets out the specific responsibilities of the Board and management.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Will comply	The Board will undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director (however this will not apply to the re-election of existing directors). Subject to any legal obligations to the contrary, the Company will provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
1.3	A listed entity should have a written agreement with each director (includes non-executive directors) and senior executive setting out the terms of their appointment.	Complies in part	The Company does not currently have written agreements with the non-executive directors except for a retainer letter with Mr Barry Cheskin relating to his compensation as Chairman of the Board. The Company currently considers that there is sufficient certainty as to the terms of the non-executive directors' appointments that written agreements are not necessary at this stage. The Company otherwise complies with this recommendation.
1.4	The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	Will comply	The company secretary will be accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

RECOMMENDATIONS	COMPLIANCE	COMMENTS
<p>1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>Will comply in part</p>	<p>The Company's Diversity Policy will be available on the Company's website, however it does not require the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them.</p> <p>As a relatively small company (amongst those listed on the ASX), the Company may face particular issues in:</p> <p>(a) establishing appropriate and measurable objectives for achieving gender diversity;</p> <p>(b) annually reviewing and assessing those objectives and the Company's progress in achieving them, and reporting on the Company's gender diversity more generally.</p> <p>The Company's operations are currently at the development and initial commercialisation stage and it has only a small number of employees. As the Company moves closer to achieving its commercialisation goals and increases its number of employees, it will re-examine its approach in this regard.</p>
<p>1.6</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Will comply</p>	<p>The Board will adopt and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors.</p> <p>After the end of each reporting period, AirXpanders will disclose whether such an evaluation has taken place.</p>
<p>1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complies (or will comply)</p>	<p>AirXpanders' Board Charter requires the Board to be responsible for the evaluation of the performance of the Company's Chief Executive Officer and executives.</p>

	RECOMMENDATIONS	COMPLIANCE	COMMENTS
2	Structure of the Board to add value		
2.1	<p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Complies (or will comply) in part	<p>The Board has a Nomination and Remuneration Committee, which has three members: Mr Barry Cheskin (Chairman), Ms Brigitte Smith and Mr Dennis Condon. Only Mr Condon is considered by the Board to be an independent director. Having regard to the Company's stage of development and the collective experience and expertise of the members of the Nomination and Remuneration Committee, the Board considers the current composition of the Committee to be appropriate.</p> <p>The Nomination and Remuneration Committee Charter is available on the Company's website. After the end of each reporting period, AirXpanders will disclose the number of times the Committee met through the period and the individual attendances of the members at those meetings.</p>
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Complies	Section 6.1 of the Prospectus discloses the mix of skills and diversity of the Board.
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the Board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Corporate Governance Principles and Recommendations but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	Complies (or will comply)	<p>The Board considers only Mr Dennis Condon to be an independent director. The Board does not consider him to have any interest, position, association or relationship of the type described in Box 2.3 of the Corporate Governance Principles and Recommendations.</p> <p>The Board will disclose the length of service of each director in the corporate governance statement to be released after the end of each reporting period.</p>

RECOMMENDATIONS		COMPLIANCE	COMMENTS
2.4	A majority of the Board of a listed entity should be independent directors.	Does not comply	<p>The directors of AirXpanders at the time of its admission to the Official List of the ASX will all be persons who were directors in the period prior to admission. The Board considers that of those directors, only Mr Dennis Condon is an independent director. Having regard to the Company's stage of development and the collective experience and expertise of the directors, the Board considers the current composition of the Board to be appropriate.</p> <p>The Board may, following admission of AirXpanders to the Official List of the ASX, consider appointing a further independent director; however at this time no process has been commenced with respect to identifying appropriate candidates.</p>
2.5	The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Does not comply	<p>The roles of Chairman and CEO of AirXpanders are performed by different persons, however the Board does not consider AirXpander's Chairman to be an independent Director.</p> <p>Having regard to the Company's stage of development and the experience and expertise of the Chairman, the Board considers the current choice of Chairman to be appropriate.</p>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Will comply	The Board intends to establish a program for inducting new directors in advance of any new directors joining the Board. In addition, the Company is prepared to provide professional development options to directors reasonably requested by directors.
3	Act ethically and responsibly		
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	Complies (or will comply)	The Company's Code of Conduct applies to directors, senior executives and employees. It will be available on the Company's website.

	RECOMMENDATIONS	COMPLIANCE	COMMENTS
4	Safeguard integrity in corporate reporting		
4.1	<p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non- executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the Board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Complies (or will comply) in part	<p>The Board has an Audit and Risk Committee which has three directors, all of whom are independent directors. Only one member (Mr Dennis Condon) is considered by the Board to be an independent director, however he is the Chairman of the Committee and is not Chairman of the Board. The other members are Dr Albert Cha and Mr Teddy Shalon. The qualifications and experience of the members of the Committee are contained in Section 6.1 of the Prospectus.</p> <p>Having regard to the Company’s stage of development and the collective experience and expertise of the members of the Audit and Risk Committee, the Board considers the current composition of the Committee to be appropriate.</p> <p>The Audit and Risk Committee Charter is available on the Company’s website. After the end of each reporting period, AirXpanders will disclose the number of times the Committee met through the period and the individual attendances of the members at those meetings.</p>
4.2	The Board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Will comply	Before it approves the entity’s financial statements for a financial period, the Board will seek from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Will comply	The Company’s external auditor will attend the annual meeting and will be available to answer questions from security holders relevant to the audit at the annual meetings.
5	Make timely and balanced disclosure		
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Complies (or will comply)	The Company’s Continuous Disclosure Policy will be available on the Company’s website.

	RECOMMENDATIONS	COMPLIANCE	COMMENTS
6	Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies (or will comply)	The Company's website will contain information about the Company and its governance from listing on ASX.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Will comply	The Company's website will contain information about the Company and its governance from listing on ASX. The website also contains the Company's contact details should investors wish to contact the Company.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies (or will comply)	The Company's Continuous Disclosure Policy sets out the Company's policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies (or will comply)	The Company's contact details are available on its website. Security holders will be able to submit an electronic query to the Company via the website or contact its registry, Computershare from listing on ASX. All CDI holders have the option to receive communications by email.
7	Recognise and manage risk		
7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Complies (or will comply) in part.	Please refer to the response to recommendation 4.1.
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Complies (or will comply)	The Audit and Risk Committee Charter requires the Audit and Risk Committee to review the entity's risk management framework at least annually to satisfy itself that it continues to be sound. After the end of each reporting period, AirXpanders will disclose whether such a review has taken place.

RECOMMENDATIONS	COMPLIANCE	COMMENTS
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Will comply After the end of each reporting period, the Company will disclose the matters required by recommendation 7.3.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies Section 4 of the Prospectus discloses the Company's exposures to economic risks (so far as is material to investors). The Company is not subject to material environmental or social sustainability risks.
8	Remunerate fairly and responsibly	
8.1	The Board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Complies in part Please refer to response to recommendation 2.1.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Complies Section 6 of the Prospectus and the Nomination and Remuneration Committee Charter discloses the Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Complies (or will comply) The Company's Securities Trading Policy prohibits participants in the Company's share or option plans or who otherwise hold securities in the Company from engaging in any conduct that seeks to secure the economic value attaching to the relevant securities and remove the element of price risk inherent in the value of those securities, while the securities remain unvested or subject to escrow. Please refer to the Policy for further details.