

22 July 2016

Appendix 4C – Quarterly Cash Flow Report and Business Update

Highlights for the quarter ended 30 June 2016

- Increased unit sales of 26% compared to Q1, resulting from an increase in procedures
- Successful placement of CHESS Depositary Interests raised US\$14.9 million (A\$20 million)
- Submitted complete response to initial FDA review
- Production transfer to Costa Rica on schedule for end of year
- Added CFO / COO to Senior Management Team
- Cash balance as of 30 June 2016 of US\$23.4 million

Palo Alto, CA, United States – AirXpanders, Inc. (ASX: AXP) a medical device company focused on the design, manufacture, sale and distribution of the AeroForm® tissue expander, today released its Appendix 4C – Quarterly Cashflow report for the quarter ended 30 June 2016.

Unit sales increased 26% compared to the first quarter of 2016. The increased sales in the second quarter of 2016 reflect an increase in procedures, focused account targeting as well as the training of over 70 surgeons to date and bringing on new hospitals in the Australian marketplace. Days sales outstanding (i.e. the average collection period for receivables) increased to 58 days from 29 days in the second quarter of 2016, which, resulted in a decrease in cash receipts from customers for the quarter. All accounts receivables in excess of 30 days as of 30 June, 2016, were subsequently collected by the Company in the first two weeks of July. The Australian market continues to be an excellent learning ground to prepare the Company for its planned commercial launch of AeroForm® in the largest medical device market in the world, the United States.

In June, AirXpanders completed a successful private placement of CHESS Depositary Interests raising US\$14.9 million (A\$20 million). The oversubscribed placement was a strong show of support in AirXpanders by institutional and sophisticated investors. The raise ensured the Company's balance sheet is strong as the Company prepares for the planned US commercial launch of Aeroform®, pending US Food and Drug Administration (FDA) clearance, and continues with the transfer of manufacturing to Costa Rica.

In June 2016, AirXpanders submitted its formal response to the FDA's initial queries to the dossier submitted in 2015. The FDA will continue its review of the submission, including potential requests for further information or clarification of the information that the Company has provided. The Company anticipates that a final decision from the FDA could be received in the final quarter of 2016. Pending receiving clearance from the FDA, the Company expects US commercialisation to commence shortly thereafter.

The Company continues to build its Senior Management Team with the addition of Mr. Scott Murcay as CFO / COO. Mr. Murcay's internal focus is to assist the manufacturing team with the operational transfer to Costa Rica and prepare the Company for the organizational ramp up anticipated once AeroForm® launches in the US.

The Company had a cash balance of US\$23.4 million as of 30 June 2016. Cash outflow during the quarter was US\$6.2 million, compared to US\$4.5 million in the previous quarter. The current quarter

cash flow includes US\$0.7 million for costs associated with the private placement. The increase in cash outflows as compared to the first quarter of 2016 reflects ramp up costs associated with working capital requirements, primarily inventory, new product introductions, the transfer of manufacturing processes to Costa Rica, and on-going clinical data management costs, in addition to certain one-time costs associated with the timing of annual prepaid expenses. The Company anticipates cash outflows going forward to be in the same range as the second quarter of 2016, excluding the costs associated with the placement. To support the planned US launch of AeroForm®, the quarterly outflow may increase if the Company decides it needs to invest in working capital, primarily inventory, additional capital equipment, and accelerate expenditures in sales and marketing, primarily headcount.

Investor Conference Call – Friday 22 July 11:00am AEST

Investors are invited to join a conference call hosted by President and CEO Scott Dodson on **Friday 22 July 11:00am AEST (Thursday 21 July 6:00pm PST)**

To access the call please use the dial in details below:

Conference ID: 613037

Conference Call Toll-Free Access Numbers

Australia Toll Free: 1 800 558 698

Alternate Australia Toll Free: 1 800 809 971

Australia Local:	02 9007 3187	New Zealand Toll Free:	0800 453 055
NZ Local (Auckland):	09 929 1687	NZ Local (Wellington):	04 974 7738
NZ Local (Christchurch):	03 974 2632	China Wide:	4001 200 659
Belgium:	0800 72 111	Canada:	1855 8811 339
France:	0800 913 848	Germany:	0800 182 7617
Hong Kong:	800 966 806	India:	0008 0010 08443
Indonesia:	001 803 019 3275	Ireland:	1800 948 625
Italy:	800 793 500	Japan:	0053 116 1281
Malaysia:	1800 816 294	Netherlands:	0800 020 0715
Norway:	800 69 950	Philippines:	1800 1110 1462
Singapore:	800 101 2785	South Korea:	00 798 142 063 275
Sweden:	020 791 959	South Africa:	0800 999 976
Switzerland:	0800 820 030	Taiwan:	008 0112 7397
Thailand:	001800 156 206 3275	UAE:	8000 3570 2705
United Kingdom:	0800 051 8245	United States:	(855) 881 1339
US Local (New York):	(914) 202 3258	US Local (Los Angeles):	(909) 235 4020
US Local (Chicago):	(815) 373 2080		

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About AirXpanders:

AirXpanders is focused on the design, manufacture, sale and distribution of the AeroForm® Tissue Expander for patients undergoing breast reconstruction following mastectomy. AeroForm® is a revolutionary patient-controlled, needle-free tissue expander which eliminates the need for expansion visits, and enables faster expansion than the current standard of care.

The revolutionary AeroForm® Tissue Expander System is a patient-controlled, needle-free tissue expander for patients undergoing breast reconstruction. The AeroForm® System is comprised of the AeroForm® Tissue Expander (Expander) and the AeroForm® Dosage Controller (Controller). The Expander has a textured, outer silicone shell and houses a reservoir of compressed carbon dioxide (CO₂), which is released within the Expander by using the Controller. The Controller is a wireless controller which enables the patient to inflate the Expander in the comfort of her own home. With a push of a button, the programmed dose (10cc) of CO₂ is delivered in a matter of seconds. The needle-free design eliminates the need for expansion visits. The Expander is available in three sizes: small, medium and large. The AeroForm® System is not cleared or approved for use in the United States and is for investigational use only.

For more information, visit www.airxpanders.com.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

AirXpanders Inc

ABN

28 604 398 423

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter Q2 US\$'000	Year to date 6 months US\$'000
1.1	Receipts from customers	80	215
1.2	Payments for (a) staff costs	(2,055)	(3,937)
	(b) advertising and	(247)	(596)
	marketing		
	(c) research and	(184)	(472)
	development		
	(d) leased assets	0	0
	(e) other working capital	(2,397)	(3,802)
1.3	Dividends received	0	0
1.4	Interest and other items of a similar nature received	7	15
1.5	Interest and other costs of finance paid *	(656)	(887)
1.6	Income taxes paid	0	0
1.7	Other (provide details if material)	0	0
Net operating cash flows		(5,452)	(9,464)

* includes costs associated with the Company's private placement to sophisticated and professional investors in June 2016.

		Current quarter Q2 US\$'000	Year to date 6 months US\$'000
1.8	Net operating cash flows (carried forward)	(5,452)	(9,464)
1.9	Cash flows related to investing activities		
	Payment for acquisition of:		
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	(364)	(450)
	(e) other non-current assets	0	0
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	0	0
	(e) other non-current assets	0	0
1.11	Loans to other entities	0	0
1.12	Loans repaid by other entities	0	0
1.13	Other (provide details if material)	0	0
	Net investing cash flows	(364)	(450)
1.14	Total operating and investing cash flows	(5,816)	(9,914)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	14,890	14,890
1.16	Proceeds from sale of forfeited shares	0	0
1.17	Proceeds from borrowings	0	0
1.18	Repayment of borrowings	(375)	(750)
1.19	Dividends paid	0	0
1.20	Other (provide details if material)	0	0
	Net financing cash flows	14,515	14,140
	Net increase (decrease) in cash held	8,699	4,226
1.21	Cash at beginning of quarter/year to date	14,665	19,138
1.22	Exchange rate adjustments to item 1.20	0	0
1.23	Cash at end of quarter	23,364	23,364

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter US\$'000
1.24	Aggregate amount of payments to the parties included in item 1.2	160
1.25	Aggregate amount of loans to the parties included in item 1.11	0
1.26	Explanation necessary for an understanding of the transactions	
	Payments represent remuneration paid to Board of Directors and President & Chief Executive Officer	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US \$'000	Amount used US \$'000
3.1	Loan facilities	0
3.2	Credit standby arrangements	1,750
		0

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter US \$'000	Previous quarter US \$'000
4.1	Cash on hand and at bank	23,364	14,665
4.2	Deposits at call	0	0
4.3	Bank overdraft	0	0
4.4	Other (provide details)	0	0
Total: cash at end of quarter (item 1.23)		23,364	14,665

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does / give a true and fair view of the matters disclosed.


 Sign here: Date: 22 July 2016
 (Australian Secretary)

Brendan Case
 Name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.