

8 June 2016

AirXpanders Raises A\$20 Million in Private Placement

Highlights

- Commitments received under Private placement to sophisticated and professional investors to raise A\$20 Million at an issue price of A\$0.76
- Proceeds strengthens balance sheet as company completes its manufacturing transfer, prepares for US launch and continues growing its Australian business

Palo Alto, CA, United States – AirXpanders Inc (ASX: AXP) (AirXpanders or Company) a medical device company focused on the design, manufacture, sale and distribution of the AeroForm® tissue expander, today announces that it has received commitments from sophisticated and professional investors to subscribe for 26,315,790 CHESS Depositary Interests (**CDIs**) (representing 8,771,930 shares of Class A Common Stock) at \$0.76 per CDI to raise \$20 Million (**Placement**). The Placement was significantly oversubscribed, with strong demand from existing and new institutional funds, both domestically and overseas.

The funds raised from the Placement will be primarily used by the Company for:

- Market growth of AeroForm® in Australia;
- Sales and marketing investment in preparation for US launch of Aeroform®, targeted for 1QCY2017 (subject to receipt of FDA clearance);
- Completion of commercial manufacturing transfer to Costa Rica; and
- General working capital

Canaccord Genuity (Australia) Limited acted as the sole lead manager to the Placement.

“This is an exciting time for AirXpanders as we continue to successfully execute our Australian growth strategy while investing in preparation for the US launch of our AeroForm technology,” said Scott Dodson, CEO of AirXpanders. “We welcome the strong support from both existing and new institutional shareholders, who have shown a strong vote of confidence in AirXpanders.”

“This additional capital strengthens our balance sheet as we prepare for commercial launch in the US, pending receipt of FDA clearance, and will help us complete the automation and transfer of our manufacturing to Costa Rica and continue our growth in the Australian market, where we have achieved tremendous success since launching in July last year,” said Mr Dodson.

The CDIs under the Placement will be issued on the same terms as, and will rank equally with, the existing CDIs of AirXpanders. The Placement does not require stockholder approval and settlement is expected to take place on Tuesday, 14 June 2016. The new CDIs are expected to commence trading on ASX on Wednesday, 15 June 2016.

As previously reported, certain securities of the Company are due for release from voluntary escrow on 18 June 2016 (**escrow CDIs**). In connection with the Placement, in excess of 98% of the investors whose securities are due for release have agreed to an extended form of voluntary escrow in which they have agreed not to dispose of any escrow CDIs at a price less than \$0.76/CDI prior to receipt of FDA clearance to market AeroForm® in the United States and 31 December 2016, whichever occurs first. Those investors are: Barry Cheskin, Correlation Ventures, L.P.; GBS Bioventures IV Trust; Heron Capital Venture Fund I; Prolog Capital II, L.P.; Vivo Ventures VII Affiliates Fund, L.P.; Vivo Ventures Fund VII, L.P.; and Teddy Shalon and the various trusts associated with him.

Update on management

As part of its US launch preparation the Company has strengthened its management team with a number of key hires, including the new appointment of Scott Murcay to the role of Chief Financial Officer / Chief Operating Officer, effective 6 June.

Mr Murcay brings more than 20 years of financial experience to AirXpanders. Previously, he held senior finance and management roles at Nanometrics Incorporated, ZOLL Medical Corporation and VNUS Medical Technologies, among others. He has a broad background in managing finance and accounting, manufacturing operations, sales operations, customer service, IT and human resources. He has also led numerous rounds of debt and equity financings, as well as acquisitions and related integrations. Mr Murcay is a former audit manager of Arthur Andersen LLP. He is a CPA and holds a bachelor's degree in business administration from California Polytechnic State University.

Update on FDA process

As previously reported, the U.S. Food and Drug Administration (**FDA**) has completed its first review of the Company's de novo application for the approval of AeroForm® in the US, and submitted its questions to AirXpanders. AirXpanders is now in the final stage of reviewing its response to FDA and expects to submit the response to the FDA within the next 1-2 weeks.

Restrictions on resale of securities in the United States

The securities to be offered have not been registered under the United States Securities Act of 1933, as amended (**U.S. Securities Act**), or any state securities laws, and until so registered, may not be offered or sold in the United States (**U.S.**) except pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities laws.

The Placement was made available to investors in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act for offers of securities which are made outside the U.S. This means that the CDIs issued in the Placement are subject to restrictions under Regulation S.

In order to comply with the requirements of Regulation S, investors may not re-sell any Placement CDIs (or underlying securities) into the U.S. to a U.S. person or for the account or benefit of a U.S. Person for a period of one year after the date of issue of the securities unless the re-sale of the securities is registered under the U.S. Securities Act or an exemption from registration is available.

Accordingly, in order to enforce the above transfer restrictions whilst ensuring that holders can still trade their CDIs on ASX, the CDIs will bear a "FOR US" designation on ASX. As a result of the imposition of the "FOR US" designation, all shareholders of the Company will be restricted from selling their CDIs on ASX to U.S. persons.

This announcement is not an offer to sell, nor a solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state or jurisdiction in which the offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction or an applicable exemption therefrom.

- ENDS -

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About AirXpanders:

Founded in 2005, AirXpanders is a medical devices company focused on the design, manufacture, sale and distribution of its AeroForm® tissue expander used in patients undergoing breast reconstruction following mastectomy. It considers that its AeroForm® device is the best innovation in expander technology in 50 years. 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 for traditional saline tissue expanders and provides a faster, less painful and less stressful breast reconstruction journey. The Company has CE Mark and TGA approval for AeroForm® and is fully reimbursed under Australian Medicare. To date, AeroForm® has been successfully implanted in over 1000 patients worldwide. AirXpanders devices are not cleared or approved for use in the United States and are considered for investigational use only. AirXpanders is cleared for commercialization in Europe and in Australia.

For more information, refer to the Company's website at www.airxpanders.com.