

29 January 2016

Appendix 4C – Quarterly Cash Flow Report

Highlights for the quarter ended 31 December 2015

- Receipts from customers US\$164,000 up 74%
- Revenue up approximately 60% compared to previous quarter, final revenue figures to be released with the audited full year financial results 26 February 2016
- Cash outflow for the quarter was US\$4.26 million
- Cash balance as of 31 December 2015 was US\$19.14 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, has today released its Appendix 4C – Quarterly Cashflow report for the quarter ended 31 December 2015.

Sales of AeroForm® in the Australian market continued to increase strongly. Revenue increased by approximately 60% in the December quarter, from US\$91,000 in the previous quarter, with final audited figures to be released on 26 February, 2016 in the company's 2015 Full Year Financial Results. On the back of growing sales momentum reported in the previous two quarters, cash receipts from customers were US\$164,000 up from US\$57,000 in the previous quarter.

The monthly sales run rate for AeroForm® reflects an approximate market share in Australia of 20%, as of the end of December 2015. Close to 70 Australian surgeons have now been trained, and over 35 hospitals have been on-boarded.

Scott Dodson, CEO of AirXpanders said, "We are pleased that the early momentum in the Australian market has continued on the same trajectory. To achieve a market share approaching 20% within the first six months since launch is an outstanding achievement for any medical device, and the response we have had from both surgeons and patients has been overwhelmingly positive. We are now moving deeper into the market, with our initial group of surgeons – who have overseen their first full implant / explant cycles – now making repeat orders as they offer AeroForm® more broadly across their patient groups."

Cash outflow during the quarter was US\$4.26 million, down 7% from US\$4.58 million in the previous quarter. Major items included investment in automation equipment for manufacturing (physical non-current assets).

During the quarter AirXpanders submitted its de novo application to the Food and Drug Administration in the US. A number of key hires have been finalised as the company prepares to launch AeroForm in the US, pending regulatory approval, in the second half of 2016.

Investor Conference Call – Tuesday 2nd February 9.30am AEDT

Investors are invited to join a conference call hosted by President and CEO Scott Dodson on Tuesday 2 February 2016 at 9.30am AEDT (Monday 1 February, 2.30pm PST)

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

Conference ID: 467959

Conference Call Toll-Free Access Numbers

Australia Toll Free	1800 908 299		
Australia Local:	+61 2 9007 8048		
Australia Alt. Toll Free:	1800 455 963	Indonesia Toll Free:	007 803 321 8057
Australia Alt. Local:	+61 7 3145 4005	Ireland Toll Free:	1800 948 607
New Zealand Toll Free:	0800 452 795	Japan Toll Free:	0066 3386 8000
Auckland Local:	+64 9 929 3905	Malaysia Toll Free:	1800 816 441
Canada/USA Toll Free:	1855 624 0077	Singapore Toll Free:	800 101 2702
China Toll Free:	1080 0140 1776	South Africa Toll Free:	0800 984 013
France Toll Free:	0800 913 734	Switzerland Toll Free:	0800 802 498
Germany Toll Free:	0800 183 0918	Taiwan Toll Free:	0080 112 7377
Hong Kong Toll Free:	800 968 273	UAE Toll Free:	8000 3570 2706
India Toll Free:	000 800 100 8070	UK Toll Free:	0800 051 1453

- ENDS -

<i>Company</i>	<i>Investor relations</i>
Scott Dodson President & CEO Tel: +1 (650)-390-9008 Email: sdodson@airxpanders.com	Kyahn Williamson Buchan Consulting Tel: +61 (3) 9866 4722 / + 61 (0)401018828 Email: kwilliamson@buchanwe.com.au

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 private health plans with relevant coverage. To date, AeroForm® has been successfully implanted in over 400 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.

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")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter Q4 US\$'000	Year to date 12 months US\$'000
1.1	Receipts from customers	164	221
1.2	Payments for (a) staff costs	(1,599)	(5,091)
	(b) advertising and	(217)	(773)
	marketing		
	(c) research and	(364)	(1,376)
	development		
	(d) leased assets	0	0
	(e) other working capital	(1,189)	(3,039)
1.3	Dividends received	0	0
1.4	Interest and other items of a similar nature received	8	18
1.5	Interest and other costs of finance paid	(262)	(836)
1.6	Income taxes paid	0	0
1.7	Other (provide details if material)	0	0
	Net operating cash flows	(3,459)	(10,876)

		Current quarter Q4 US\$'000	Year to date 12 months US\$'000
1.8	Net operating cash flows (carried forward)	(3,459)	(10,876)
	Cash flows related to investing activities		
1.9	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	(423)	(744)
	(e) other non-current assets	0	(14)
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	(423)	(758)
1.14	Total operating and investing cash flows	(3,882)	(11,634)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	1	30,096
1.16	Proceeds from sale of forfeited shares	0	0
1.17	Proceeds from borrowings	0	0
1.18	Repayment of borrowings	(375)	(1,000)
1.19	Dividends paid	0	0
1.20	Other (provide details if material)	0	0
	Net financing cash flows	(374)	29,096
	Net increase (decrease) in cash held	(4,256)	17,462
1.21	Cash at beginning of quarter/year to date	23,394	1,676
1.22	Exchange rate adjustments to item 1.20		
1.23	Cash at end of quarter	19,138	19,138

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	113
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 Chairman of the Board 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	2,500
3.2	Credit standby arrangements	0	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	19,138	23,394
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)		19,138	23,394

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: 29 January 2016
 (Company secretary)

Name: Brendan Case

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.