

21 Oct 2016

Appendix 4C – Quarterly Cash Flow Report and Business Update

Highlights for the quarter ended 30 September 2016

- Increased unit sales of 25% compared to Q2 2016
- Positive Results from use of AeroForm Tissue Expander System highlighted at world's largest gathering of plastic surgeons
- Cash balance as of 30 September 2016 of US\$17.7 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 System, today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 30 September 2016.

Unit sales increased 25% compared to the second quarter of 2016. The increased sales in the third quarter of 2016 reflect an increase in procedures, with new customer orders accounting for almost half of the growth. Receipts from customers totalled \$0.2M for the quarter, reflecting an increase in sales over the second quarter, combined with a decrease in days sales outstanding from 58 days at the end of the second quarter to 32 days at the end of the current quarter. The Australian market continues to be an excellent learning ground to prepare the Company for its planned commercial launch of AeroForm in the United States, the largest medical device market in the world.

During the quarter, new data on the use of AeroForm was presented at the American Society of Plastic Surgeons meeting, the world's largest gathering of plastic surgeons, with our profile at the meeting confirming the prevailing interest in AeroForm in anticipation of US commercialisation once FDA clearance is obtained. The Company still 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 had a cash balance of US\$17.7 million as of 30 September 2016. Cash outflow during the quarter was US\$5.7 million, compared to US\$6.2 million in the previous quarter. The decrease in cash outflows as compared to the second quarter of 2016 reflects an increase investment in working capital, primarily inventory build, offset by a decrease in financing costs, specifically the one-time fees incurred in the second quarter of 2016 associated with the private placement to sophisticated and professional investors in June 2016. The quarterly outflow may increase in the future if the Company decides to accelerate investment in working capital, primarily inventory, additional capital equipment, and sales and marketing, for its US commercialisation.

Investor Conference Call – Friday 21 October 11:00am AEST

Investors are invited to join a conference call hosted by President and CEO Scott Dodson, and CFO/COO Scott Murcray, on **Friday 21 October 11:00am AEST (Thursday 20 October 5:00pm PST)**

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

Conference ID: 525 306

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		

- ENDS -

Company	Investor relations
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About AirXpanders

Founded in 2005, AirXpanders, Inc. (www.airxpanders.com) designs, manufactures and markets innovative medical devices to improve breast reconstruction. The company's flagship product, the AeroForm Tissue Expander System, is used in patients undergoing two-stage breast reconstruction following mastectomy. Headquartered in Palo Alto, California, AirXpanders is committed to providing patients and surgeons with best-in-class products that are made under strict design and quality standards.

AirXpanders' vision is to be the global leader in reconstructive surgery products and to become the standard of care in two-stage breast reconstruction. AirXpanders is a publically listed company on the Australian Stock Exchange under the symbol AXP. The AeroForm Tissue Expander System is not cleared or approved for use in the United States and is for investigational use only. AeroForm is cleared for commercialization in Europe and in Australia.

For more information, visit www.airxpanders.com.

Forward-Looking Statements

This announcement contains or may contain forward-looking statements that are based on management's beliefs, assumptions and expectations and on information currently available to management. All statements that address future financial and operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation our expectations with respect to our ability to receive FDA approval and commercialize our product; sufficiency of our cash resources and anticipated levels of

cash utilization; our ability to develop and commercialize new products including our ability to obtain reimbursement for our current and future products; our expectations with respect to our regulatory submissions and approvals; our expectations with respect to the integrity or capabilities of our intellectual property position. Management believes that these forward-looking statements are reasonable as and when made. You should not place undue reliance on forward-looking statements because they speak only as of the date when made. AirXpanders does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. AirXpanders may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AirXpanders Inc

ABN

28 604 398 423

Quarter ended ("current quarter")

September 30, 2016

Consolidated statement of cash flows	Current quarter Q3 US\$ '000	Year to date (9 months) US\$ '000
1. Cash flows from operating activities		
1.1 Receipts from customers	179	394
1.2 Payments for		
(a) research and development	(433)	(1,062)
(b) product manufacturing and operating costs	(931)	(2,383)
(c) advertising and marketing	(629)	(1,490)
(d) leased assets	-	-
(e) staff costs	(2,147)	(6,084)
(f) administration and corporate costs	(971)	(2,884)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(40)	(271)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(4,972)	(13,780)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(341)	(791)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter Q3 US\$ '000	Year to date (9 months) US\$ '000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(341)	(791)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	14,890
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	1	1
3.4	Transaction costs related to issues of shares, convertible notes or options	(25)	(681)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(375)	(1,125)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(399)	13,085

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	23,364	19,138
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,972)	(13,780)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(341)	(791)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(399)	13,085

Consolidated statement of cash flows		Current quarter Q3 US\$ '000	Year to date (9 months) US\$ '000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	17,652	17,652

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	17,652	23,364
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,652	23,364

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
93
-

Payments represent remuneration paid to the Board of Directors and President & Chief Executive Officer.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

**Total facility amount
at quarter end
US\$'000**

**Amount drawn at
quarter end
US\$'000**

- \$1,568

- -

- -

In January 2014, the Company borrowed \$3,500,000 under a loan and security agreement with a financial institution which expires in July 2017. Interest is paid monthly on the principal amount at 7.34%. The loan is secured by substantially all of the Company's assets, excluding intellectual property. Under the terms of the agreement, interest-only payments were made monthly through March 2015, with principal payments commencing in April 2015, due in 28 equal monthly installments. A fee of \$271,250 is due at maturity, which is being accrued over the term of the loan. The Company can prepay the entire loan amount by providing a written five-day notice prior to such prepayment and pay all outstanding principal, interest and prepayment fees plus any default fees and all other sums that shall have become due and payable.

9. Estimated cash outflows for next quarter

US\$'000

9.1 Research and development (928)

9.2 Product manufacturing and operating costs (609)

9.3 Advertising and marketing (486)

9.4 Leased assets

9.5 Staff costs (2,387)

9.6 Administration and corporate costs (564)

9.7 Other (provide details if material)

- Payments for property, plant and equipment (560)

- Repayment of borrowings (375)

9.8 Total estimated cash outflows (5,909)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

Acquisitions

Disposals

10.1 Name of entity N /A N/A

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal

10.4 Total net assets

10.5 Nature of business

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



21 October 2016

Sign here:
(Company secretary)

Date:

Print 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.