

28 April 2017

Appendix 4C – Quarterly Cash Flow Report and Business Update

Highlights for the quarter ended 31 March 2017

- Revenue increased by 172% compared to Q1 2016; driven by 128% unit sales growth
- Initiated AeroForm® Tissue Expander System limited commercial launch in U.S.
- Raised US\$32.6 million (A\$45 million) from placement of CHES Depositary Interests
- Received U.S. FDA 510(k) clearance for AeroForm enhanced film material
- Cash and short-term investments balance as of 31 March 2017 was US\$36.8 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 31 March 2017.

Revenue performance for the quarter was as follows:

(US\$ in '000, unaudited)	Q1 2017	Q1 2016	% Growth
Revenue (US\$)	\$257	\$94	172%
Units Sold	121	53	128%

AirXpanders commenced a targeted market release of the AeroForm Tissue Expander System in the U.S. in the first quarter of 2017. Unit sales growth in the first quarter was driven by continued success in Australia, where year over year unit growth was 57% (83 vs. 53 units), and initial sales in the U.S. of 38 units.

Revenue growth in the first quarter outpaced unit growth due to the additive impact of higher average selling prices in the U.S. as compared to the Australian market. U.S. sales in the first quarter were in line with the Company's expectations around the targeted market release to the initial clinical sites.

"Our progress in these early days of U.S. commercialization has exceeded our expectations. We hired and trained our initial 10 direct and 7 commission-only sales representatives, and a very successful public relations program has driven increased awareness of AeroForm. The onboarding process for new sites has been faster than anticipated, with our initial 12 clinical sites through the approval process. We will continue to focus on working with these sites to expand their usage of AeroForm."

"While we will continue to focus on broadening our sales efforts within these initial sites, we have actively engaged with the next phase of customers who will be the focus of our broader market launch in the second half of the year. Currently, over half of the preselected group of 120 plastic surgeons targeted for the second phase of the U.S. commercial launch are in or through the training and onboarding process. This positions these sites to begin clinical evaluations and commercial sales once they select their first patients," said Scott Dodson, President and CEO.

Mr. Dodson added, “Finally, pending final verification of our third-party contract manufacturer, which is anticipated in the third quarter of 2017, we are poised to begin the broader market launch of the recently FDA cleared version of AeroForm featuring the enhanced film material in the second half of the year. We will continue to execute our limited launch in the first half of the year, where success will be measured by the onboarding of new surgeons and the successful completion of their first procedures.”

The Company had a cash balance of US\$11.9 million and a short-term investments balance of US\$24.9 million as of 31 March 2017. Short-term investments consist of highly liquid, U.S. Treasury securities, with maturities scheduled over the next 15 months to match anticipated cash needs. Cash outflow for operating activities during the quarter was US\$6.7 million, compared to US\$6.1 million in the previous quarter. This increase is attributable to the higher levels of spending on staffing costs, sales and marketing spend and production-related costs, including inventory, to support the initiation of commercialization in the first quarter of 2017.

Investor Conference Call

An investor conference call to discuss the Appendix 4C and Quarterly Update will be held on Friday 28 April 2017 11:00am AEST (Thursday 27 April 6:00pm PDT).

For those who have pre-registered for the call – please use the pin and dial in provided in your email, alternatively you may use the following dial in details.

Conference ID: 958 620

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 AeroForm Tissue Expander System, is used in patients undergoing two-stage breast reconstruction following mastectomy. Headquartered in Palo Alto, California, 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 Securities Exchange under the symbol "AXP." AeroForm was granted U.S. FDA *de novo* marketing authorization in 2016, first CE mark in Europe in 2012 and is currently licensed for sale in Australia.

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 operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. These include, without limitation, our cash sufficiency forecast; U.S. commercial market acceptance and U.S. sales of our product as well as, our expectations with respect to our ability to obtain verification at our third-party contract manufacturer on a timely basis; our ability to obtain reimbursement for our products; our ability to become the global leader in reconstructive surgery products and to become the standard of care in two-stage breast reconstruction.

Management believes that these forward-looking statements are reasonable 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. Actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

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

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")

March 31, 2017

Consolidated statement of cash flows	Current quarter Q1 US\$ '000	Year to date 3 Months US\$ '000
1. Cash flows from operating activities		
1.1 Receipts from customers	175	175
1.2 Payments for		
(a) research and development	(761)	(761)
(b) product manufacturing and operating costs	(1,069)	(1,069)
(c) advertising and marketing	(418)	(418)
(d) leased assets	-	-
(e) staff costs	(3,509)	(3,509)
(f) administration and corporate costs	(1,071)	(1,071)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(16)	(16)
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	(6,669)	(6,669)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(272)	(272)
(b) businesses (see item 10)	-	-
(c) investments *	(24,953)	(24,953)

Consolidated statement of cash flows		Current quarter Q1 US\$ '000	Year to date 3 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	(25,225)	(25,225)

*Represents short term investments consisting of highly liquid, U.S. Treasury securities, with maturities scheduled over the next 15 months to match anticipated cash needs.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	34,110	34,110
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	35	35
3.4	Transaction costs related to issues of shares, convertible notes or options	(1,462)	(1,462)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(375)	(375)
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	32,309	32,309

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	11,477	11,477
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,669)	(6,669)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25,225)	(25,225)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	32,309	32,309

Consolidated statement of cash flows		Current quarter Q1 US\$ '000	Year to date 3 Months US\$ '000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	11,892	11,892

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	11,892	11,477
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) #	11,892	11,477

The Company during the quarter invested in a short term investment of \$24.953M, consisting of highly liquid, U.S. Treasury securities, with maturities scheduled over the next 15 months to match anticipated cash needs.

6.	Payments to directors of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to these parties included in item 1.2	130
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	

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	Current quarter US\$'000
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	

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	-	\$859
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.

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	(900)
9.2 Product manufacturing and operating costs	(1,000)
9.3 Advertising and marketing	(500)
9.4 Leased assets	
9.5 Staff costs	(3,900)
9.6 Administration and corporate costs	(700)
9.7 Other (provide details if material)	
- Payments for property, plant and equipment	(325)
- Repayment of borrowings	(375)
9.8 Total estimated cash outflows	(7,700)

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.



28 April 2017

Sign here:
 (Company secretary)

Date:

Brendan Case

Print 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 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.