Universal Biosensors, Inc.
ARBN 121 559 993

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Universal Biosensors

7 August 2012

Universal Biosensors reports strong first half revenues; total revenue up 133%, service fees up 402%

- Total revenues for the half increased by 133% on prior comparable period to $14.7 million
- Service fees - generated from the sales of OneTouch Verio strips by LifeScan – increased by 402%
- Net losses more than halved from $7.9 million to $3.4 million
- Net cash outflows were $380,000 compared to $5.8 million outflow for the same period last year.

Universal Biosensors (ASX:UBI) today reported its half year financial result, with sales of its blood glucose test gaining momentum and driving a revenue increase of 133% to $14.7 million.

The company generated a gross profit of $5.0 million. Net losses for the half-year more than halved from $7.9 million to $3.4 million.

The strong performance comes as partner LifeScan, a Johnson & Johnson Company, continues the global roll-out of OneTouch Verio, the blood glucose test that features a disposable testing strip developed and manufactured by Universal Biosensors. UBI earns a service fee of around US1 cent for every test strip sold in addition to the product revenue it earns from the manufacture of strips. Revenue from service fees increased by 402% during the first half to around $1 million. Revenue from products grew 69% to $9.5 million for the half year as a result of a record six months of manufacturing at Universal Biosensors' plant in Rowville, Victoria.

Paul Wright, CEO of Universal Biosensors said: *"The strong sales numbers are encouraging and underline the Company's transition from an R&D operation to a commercial enterprise. Sales momentum has continued to build as LifeScan launched the OneTouch Verio into the US market in January, contributing to a growth in both our service fees based on sales of test strips, and product revenue based on manufacturing volume."*

Also contributing to revenues from services was the Company's R&D program with LifeScan and its collaboration with Siemens Healthcare Diagnostics. Universal Biosensors is collaborating with Siemens to develop a range of novel hand-held analysers for the point-of-care coagulation testing market. In the first half, UBI received its first US$1.5 million development milestone payment bringing the total payments from Siemens to June 30 to US$4.5 million. The Company has since received the second of six milestone payments from Siemens.

"Continuing to deliver against our R&D milestones with Siemens is an important validation of our technology and its ability to be applied to new applications in other large point-of-care diagnostic markets. With three coagulation tests in our pipeline, this market has the potential to be another strong revenue driver for us and should give investors confidence that we are building a sustainable and diversified company," said Mr Wright.

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UBI continued to progress its 12 month, US$4.5 million R&D program with LifeScan, which commenced in September 2011. This revenue is accounted for on a pro-rata basis over the period.

Research and development costs increased over the first half to $5.4 million, up 14% over the prior year. The increase reflected additional investment into coagulation product development as the Company progressed its collaboration with Siemens. General and administrative costs decreased by 4% over the six month period, as management remained focused on controlling non-essential expenditures.

Enquiries:
Paul Wright +61 3 9213 9000

About Universal Biosensors

For additional information in relation to Universal Biosensors, refer to http://www.universalbiosensors.com/announcements.html.

Universal Biosensors is a specialist medical diagnostics company, founded in 2001, that is focused on the development, manufacture and commercialisation of a range of in vitro diagnostic tests for point-of-care use. These tests capitalise on a technology platform which uses a novel electrochemical cell that can be adapted for multiple analytes and provide for enhanced measurements in whole blood.

Forward-Looking Statements

The statements contained in this release that are not purely historical are forward-looking statements within the meaning of the Exchange Act. Forward-looking statements in this release include statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the proposed offering. All forward-looking statements included in this release are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. Our actual results could differ materially from our current expectations. We cannot assure you when, if at all, the proposed offering will occur, and the terms of any such offering are subject to change. Factors that could cause or contribute to such differences include, but are not limited to, factors and risks disclosed from time to time in reports filed with the SEC.

Appendix 4D

Half Year report

Universal Biosensors, Inc.

ARBN 121 559 993

Results for announcement to the market

(All numbers in Australian Dollars unless stated otherwise)

1. Reporting periods

Financial year ended ('Current period')	Financial year ended ('Previous corresponding period)
June 30, 2012	June 30, 2011

2. Results for announcement to the market

					June 30, 2012	June 30, 2011
Revenues from ordinary activities	Up	133%	to	$14,719,377	$14,719,377	$6,309,216
Loss from ordinary activities after tax attributable to members	Down	57%	to	$3,410,958	($3,410,958)	($7,957,040)
Loss for the period attributable to members	Down	57%	to	$3,410,958	($3,410,958)	($7,957,040)

Other key results

	3 months ended June 30,			6 months ended June 30,		
	2012	**2011**	**Change**	**2012**	**2011**	**Change**
Revenue from products	$4.7M	$2.3M	Up 109%	$9.5M	$5.6M	Up 69%
Revenue from services	$3.5M	$0.5M	Up 653%	$5.2M	$0.7M	Up 629%
Quarterly service fees - strip service fees	$0.5M	$0.1M	Up 329%	$1.0M	$0.2M	Up 402%
Total revenue	$8.3M	$2.7M	Up 203%	$14.7M	$6.3M	Up 133%
Cost of goods sold & services	$4.7M	$2.8M	Up 64%	$9.7M	$6.4M	Up 52%
Contribution from products & services	$3.6M	$(0.1)M	Up $3.7M	$5.0M	$(0.1)M	Up $5.1M
Research & development exp	$3.2M	$3.0M	Up 5%	$5.4M	$4.7M	Up 14%
General & administrative exp	$1.6M	$1.8M	Down 12%	$3.1M	$3.2M	Down 4%
Nett loss after tax	$1.0M	$4.9M	Down $3.9M	$3.4M	$7.9M	Down $4.5M
Nett increase/(decrease) in cash	$(1.0)M	$(3.1)M	Up $2.1M	$(0.4)M	$(5.8)M	Up $5.4M

3. Net tangible asset backing

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	20 cents / share	25 cents / share

4. Controlled entities
N/A

5. Dividends
There were no dividends declared or paid during the period.

6. Dividend Reinvestment Plans
N/A

7. Associates and Joint Ventures
N/A

8. Foreign entities
The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

9. Review Report
The accounts have been subject to review. Please refer to the attached Form 10-Q for the review report.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Universal Biosensors, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Universal Biosensors, Inc and its subsidiary as of June 30, 2012, and the related condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2012, and June 30, 2011, the condensed consolidated statement of changes in stockholders' equity for the six-month period ended June 30, 2012, and the condensed consolidated statement of cash flows for the six-month period ended June 30, 2012 and June 30, 2011. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2011, and the related consolidated statements of operations, and of cash flows for the year then ended (not presented herein), and in our report dated March 13, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 2012, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers
Sydney
6 August 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

Commission File Number: 000-52607

Universal Biosensors, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-0424072**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
Universal Biosensors, Inc. 1 Corporate Avenue, Rowville, 3178, Victoria Australia **(Address of principal executive offices)**	**Not Applicable** **(Zip Code)**

Telephone: +61 3 9213 9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☒

Non-Accelerated Filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 159,202,206 shares of Common Stock, U.S.$0.0001 par value, outstanding as of 6 August, 2012.

UNIVERSAL BIOSENSORS, INC.

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Universal Biosensors, Inc.

Item 1 Financial Statements

Consolidated Condensed Balance Sheets (Unaudited)

	June 30, 2012 A$	December 31, 2011 A$
ASSETS		
Current assets:		
Cash and cash equivalents	14,709,678	15,089,209
Inventories, net	2,405,722	3,619,400
Accounts receivable	3,216,991	4,889,783
Prepayments	518,788	92,048
Financial instruments	0	83,339
Other current assets	1,467,364	827,508
Total current assets	22,318,543	24,601,287
Non-current assets:		
Property, plant and equipment	33,544,867	33,151,027
Less accumulated depreciation	(14,172,971)	(12,855,847)
Property, plant and equipment - net	19,371,896	20,295,180
Other non-current assets	320,000	320,000
Total non-current assets	19,691,896	20,615,180
Total assets	42,010,439	45,216,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	2,000,470	620,682
Accrued expenses	1,856,349	2,061,528
Deferred revenue	1,450,817	3,509,721
Borrowings	384,052	0
Employee entitlements provision	1,009,947	824,833
Total current liabilities	6,701,635	7,016,764
Non-current liabilities:		
Asset retirement obligations	2,259,077	2,166,691
Employee entitlements provision	203,217	181,367
Deferred revenue	829,039	829,039
Total non-current liabilities	3,291,333	3,177,097
Total liabilities	9,992,968	10,193,861
Commitments and contingencies	0	0
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 1,000,000 shares; issued and outstanding nil in 2012 (2011: nil)		
Common stock, $0.0001 par value. Authorized 300,000,000 shares; issued and outstanding 159,202,206 shares in 2012 (2011: 159,139,965)	15,920	15,914
Additional paid-in capital	79,936,151	79,446,995
Accumulated deficit	(44,225,330)	(29,533,213)
Current year loss	(3,410,958)	(14,692,117)
Accumulated other comprehensive income	(298,312)	(214,973)
Total stockholders' equity	32,017,471	35,022,606
Total liabilities and stockholders' equity	42,010,439	45,216,467

See accompanying notes to the financial statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Revenue				
Revenue from products	$ 4,734,628	$ 2,267,766	$ 9,458,849	$ 5,587,167
Revenue from services	3,583,018	476,129	5,260,528	722,049
Total revenue	8,317,646	2,743,895	14,719,377	6,309,216
Operating costs & expenses				
Cost of goods sold	4,447,610	2,694,792	9,316,187	6,186,844
Cost of services	204,177	140,987	429,979	204,506
Research and development	3,118,746	2,969,982	5,383,644	4,717,489
General and administrative	1,583,980	1,800,900	3,068,856	3,206,258
Total operating costs & expenses	9,354,513	7,606,661	18,198,666	14,315,097
Loss from operations	(1,036,867)	(4,862,766)	(3,479,289)	(8,005,881)
Other income/(expense)				
Interest income	120,512	179,444	244,680	404,319
Interest expense	(7,316)	0	(17,070)	0
Other	(85,112)	(226,486)	(159,279)	(355,478)
Total other income/(expense)	28,084	(47,042)	68,331	48,841
Net loss before tax	(1,008,783)	(4,909,808)	(3,410,958)	(7,957,040)
Income tax benefit/(expense)	0	0	0	0
Net loss	$(1,008,783)	$(4,909,808)	$ (3,410,958)	$ (7,957,040)
Earnings per share				
Basic and diluted net loss per share	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.05)
Other comprehensive loss, net of tax:				
Unrealized gain on derivative instruments	0	0	0	0
Reclassification for losses/(gains) realized in net income	35,001	0	(83,339)	0
Other comprehensive loss	35,001	0	(83,339)	0
Comprehensive loss	$ (973,782)	$(4,909,808)	$ (3,494,297)	$ (7,957,040)

See accompanying notes to the financial statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Changes in Stockholders' Equity (Unaudited)

	Ordinary shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
		A$	A$	A$	A$	A$
Balances at January 1, 2011	158,871,495	15,887	77,034,717	(29,533,213)	(298,312)	47,219,079
Net loss	0	0	0	(7,957,040)	0	(7,957,040)
Other comprehensive loss	0	0	0	0	0	0
Exercise of stock options issued to employees	145,666	15	72,971	0	0	72,986
Stock option expense	0	0	1,024,464	0	0	1,024,464
Balances at June 30, 2011	159,017,161	15,902	78,132,152	(37,490,253)	(298,312)	40,359,489
Balances at January 1, 2012	159,139,965	15,914	79,446,995	(44,225,330)	(214,973)	35,022,606
Net loss	0	0	0	(3,410,958)	0	(3,410,958)
Other comprehensive loss	0	0	0	0	(83,339)	(83,339)
Exercise of stock options issued to employees	62,241	6	13,812	0	0	13,818
Stock option expense	0	0	475,344	0	0	475,344
Balances at June 30, 2012	159,202,206	15,920	79,936,151	(47,636,288)	(298,312)	32,017,471

See accompanying notes to the financial statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2012	2011
	A$	A$
Cash flows from operating activities:		
Net loss	(3,410,958)	(7,957,040)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and impairment of plant & equipment	1,339,331	1,694,331
Share based payments expense	475,344	1,024,464
Loss on fixed assets disposal	8,870	4,669
Change in assets and liabilities:		
Inventory	1,213,678	(45,582)
Accounts receivables	1,672,792	2,384,112
Prepaid expenses and other current assets	(1,066,596)	(929,158)
Deferred revenue	(1,437,125)	0
Employee entitlements	206,964	177,381
Accounts payable and accrued expenses	640,861	(1,407,580)
Net cash used in operating activities	(356,839)	(5,054,403)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(420,562)	(802,599)
Net cash used in investing activities	(420,562)	(802,599)
Cash flows from financing activities:		
Proceeds from borrowings	921,725	0
Repayment of borrowings	(537,673)	0
Proceeds from stock options exercised	13,818	72,986
Net cash provided by financing activities	397,870	72,986
Net decrease in cash and cash equivalents	(379,531)	(5,784,016)
Cash and cash equivalent at beginning of period	15,089,209	23,271,766
Cash and cash equivalents at end of period	14,709,678	17,487,750

See accompanying notes to the financial statements.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Organization of the Company

We are a specialist medical diagnostics company focused on the research, development and manufacture of in vitro diagnostic test devices for consumer and professional point-of-care use.

We were incorporated in the State of Delaware on September 14, 2001 and our shares of common stock in the form of CHESS Depositary Interests ("CDIs") have been quoted on the Australian Securities Exchange ("ASX") since December 13, 2006. Our securities are not currently traded on any other public market. Our wholly owned subsidiary and primary operating vehicle, Universal Biosensors Pty Ltd ("UBS") was incorporated as a proprietary limited company in Australia on September 21, 2001. UBS conducts our research, development and manufacturing activities in Melbourne, Australia.

We have rights to an extensive patent portfolio, with certain patents owned by UBS and a number licensed to UBS including under a license agreement between LifeScan, Inc. ("LifeScan") and UBS ("License Agreement"). Unless otherwise noted, references to "LifeScan" in this document are references collectively or individually to LifeScan, Inc., and/or LifeScan Europe, a division of Cilag GmbH International, both affiliates of Johnson and Johnson.

We are using our electrochemical cell technology platform to develop tests for a number of different markets. Our current focus is as set out below:

- Blood glucose – UBS provides services and acts as a non-exclusive manufacturer of test strips for LifeScan's "OneTouch® Verio™" blood glucose testing product, pursuant to a Master Services and Supply Agreement with LifeScan ("Master Services and Supply Agreement"). LifeScan continues its global rollout of the OneTouch® Verio™ product which is currently available in North America, major European markets and Australia. We also undertake research and development work for LifeScan pursuant to a development and research agreement ("Development and Research Agreement").
- Coagulation testing market – UBS is working with Siemens Healthcare Diagnostics, Inc. ("Siemens") to develop a range of products for the point-of-care coagulation market, pursuant to a collaboration agreement ("Collaboration Agreement").
- Other electrochemical-cell based tests – we are working to develop other point-of-care tests on our technology platform, including tests based on enzymatic, immunoassay and molecular diagnostic methods. We may seek to enter into collaborative arrangements or strategic alliances with respect to any tests arising from this work.

Interim Financial Statements

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the financial statements and footnotes thereto as of and for the year ended December 31, 2011, included in the Form 10-K of Universal Biosensors, Inc.

The year-end consolidated condensed balance sheet data as at December 31, 2011 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Certain prior year amounts in the consolidated condensed financial statements have been reclassified to conform to the current presentation.

Basis of Presentation

These consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All amounts are expressed in Australian dollars ("AUD" or "A$") unless otherwise stated.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

The Company's consolidated financial statements have been prepared assuming the Company will continue as a going concern. We rely largely on our existing cash and cash equivalents balance and funds from our operations to provide for the working capital needs of our operations. We believe we have sufficient cash and cash equivalents to fund our operations for at least the next twelve months. However, in the event, our financing needs for the foreseeable future are not able to be met by our existing cash and cash equivalents balance and operating cash flow, we would seek to raise funds through public or private equity offerings, debt financings, and through other means to meet the financing requirements. There is no assurance that funding would be available at acceptable terms, if at all.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary UBS. All intercompany balances and transactions have been eliminated on consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, deferred income taxes, asset retirement obligations and obligations related to employee benefits. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash & Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. For cash and cash equivalents, the carrying amount approximates fair value due to the short maturity of those instruments.

Short-Term Investments (Held-to-maturity)

Short-term investments constitute all highly liquid investments with term to maturity from three months to twelve months. The carrying amount of short-term investments is equivalent to its fair value.

Concentration of Credit Risk and Other Risks and Uncertainties

Cash and cash equivalents and accounts receivables consists of financial instruments that potentially subject the Company to concentration of credit risk to the extent of the amount recorded on the balance sheet. The Company's cash and cash equivalents is invested with one of Australia's largest banks. The Company is exposed to credit risk in the event of default by the bank holding the cash or cash equivalents to the extent of the amount recorded on the balance sheets. The Company has not experienced any losses on its deposits of cash and cash equivalents. The Company has not identified any collectability issues with respect to receivables.

Derivative Instruments and Hedging Activities

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operating, investing and financing activities. The Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Exposure to foreign exchange risks arises in the normal course of the Company's business and it is the Company's policy to use forward exchange contracts to hedge anticipated sales and purchases in foreign currencies. The amount of forward cover taken is in accordance with approved policy and internal forecasts.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecast transaction, the effective part of any unrealized gain or loss on the derivative financial instrument is recognized directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

For cash flow hedges, other than those covered by the preceding statement, the associated cumulative gain or loss is removed from equity and recognized in the consolidated statements of operations in the same period or periods during which the hedged forecast transaction affects the consolidated statements of operations and on the same line item as that hedged forecast transaction. The ineffective part of any gain or loss is recognized immediately in the consolidated statements of operations.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes designation of the hedge relationship but the hedged forecast transaction is still probable to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain or loss recognized in equity is recognized immediately in the consolidated statements of operations.

Derivative Instruments and Hedging Activities

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider our own and counterparty credit risk. At June 30, 2012 and year ended December 31, 2011, we did not have any assets or liabilities that utilize Level 3 inputs. The valuation of our foreign exchange derivatives are based on the market approach using observable market inputs, such as forward rates and incorporate non-performance risk (the credit standing of the counterparty when the derivative is in a net asset position, and the credit standing of the Company when the derivative is in a net liability position). Our derivative assets are categorized as Level 2.

At June 30, 2012 we had outstanding contracts with a notional amount of nil (December 31, 2011: US$4.0 million). The fair value of these contracts at June 30, 2012 was nil and an asset of A$83,339 was recorded as 'Financial Instruments' in the consolidated condensed balance sheet as at December 31, 2011. During the three and six months ended June 30, 2012, we recognized losses of A$35,001 and gains of A$83,339 recorded in earnings, respectively. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges for the year ended June 30, 2012 (December 31, 2011: nil).

Inventory

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to dispose. Inventories are principally determined under the average cost method which approximates cost. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost also includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs of purchased inventory are determined after deducting rebates and discounts.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	A$	A$
Raw materials	1,786,908	3,254,675
Work in progress	241,930	102,239
Finished goods	376,884	262,486
	2,405,722	3,619,400

Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in the existing accounts receivable. The allowance is determined based on a review of individual accounts for collectability, generally focusing on those accounts that are past due. The current year expense to adjust the allowance for doubtful accounts, if any, is recorded within general and administrative expenses in the consolidated statements of operations. Account balances are charged against the allowance when it is probable the receivable will not be recovered.

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	A$	A$
Accounts receivable	3,216,991	4,889,783
Allowance for doubtful debts	0	0
	3,216,991	4,889,783

Property, Plant, and Equipment

Property, plant, and equipment are recorded at acquisition cost, less accumulated depreciation.

Depreciation on plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful life of machinery and equipment is 3 to 10 years. Leasehold improvements are amortized on the straight-line method over the shorter of the remaining lease term or estimated useful life of the asset. Maintenance and repairs are charged to operations as incurred and include normal services and does not include items of a capital nature.

The Company receives Victorian government grant monies under grant agreements to support our development activities, including in connection with the purchase of plant and equipment. Plant and equipment is presented net of the government grant. The grant monies are recognized against the acquisition costs of the related plant and equipment as and when the related assets are purchased.

Research and Development

Research and development expenses consist of costs incurred to further the Group's research and development activities and include salaries and related employee benefits, costs associated with clinical trial and preclinical development, regulatory activities, research-related overhead expenses, costs associated with the manufacture of clinical trial material, costs associated with developing a commercial manufacturing process, costs for consultants and related contract research, facility costs and depreciation. Research and development costs are expensed as incurred.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Research and development expenses for the three and six months ended June 30, 2012 and 2011 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Research and development expenses	3,118,746	2,969,982	5,383,644	4,717,489

Income Taxes

The Company applies ASC 740 - Income Taxes which establishes financial accounting and reporting standards for the effects of income taxes that result from a company's activities during the current and preceding years. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Where it is more likely than not that some portion or all of the deferred tax assets will not be realized the deferred tax assets are reduced by a valuation allowance. The valuation allowance is sufficient to reduce the deferred tax assets to the amount that is more likely than not to be realized.

We are subject to income taxes in the United States and Australia. U.S. federal income tax returns up to the 2010 financial year have been filed. Internationally, consolidated income tax returns up to the 2011 financial year have been filed.

Asset Retirement Obligations

Asset retirement obligations ("ARO") are legal obligations associated with the retirement and removal of long-lived assets. ASC 410 – Asset Retirement and Environmental Obligations requires entities to record the fair value of a liability for an asset retirement obligation when it is incurred. When the liability is initially recorded, the Company capitalizes the cost by increasing the carrying amounts of the related property, plant and equipment. Over time, the liability increases for the change in its present value, while the capitalized cost depreciates over the useful life of the asset. The Company derecognizes ARO liabilities when the related obligations are settled.

The ARO is in relation to our premises where in accordance with the terms of the lease, the lessee has to restore part of the building upon vacating the premises.

Our overall ARO changed as follows:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	A$	A$
Opening balance	2,166,691	1,998,060
Accretion expense	92,386	168,631
Ending balance	2,259,077	2,166,691

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Fair Value of Financial Instruments

The carrying value of all current assets and current liabilities approximates fair value because of their short-term nature. The estimated fair value of all other amounts has been determined, depending on the nature and complexity of the assets or the liability, by using one or all of the following approaches:

- Market approach – based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach – based on the cost to acquire or construct comparable assets less an allowance for functional and/or economic obsolescence.
- Income approach – based on the present value of a future stream of net cash flows

These fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (Level 1 inputs)
- Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active or are directly or indirectly observable (Level 2 inputs)
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs)

Impairment of Long-Lived Assets

The Company reviews its capital assets, including patents and licenses, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. In performing the review, the Company estimates undiscounted cash flows from products under development that are covered by these patents and licenses. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount of the asset. If the evaluation indicates that the carrying value of an asset is not recoverable from its undiscounted cash flows, an impairment loss is measured by comparing the carrying value of the asset to its fair value, based on discounted cash flows.

Australian Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognized as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Revenue Recognition

We recognize revenue from all sources based on the provisions of the U.S. SEC's Staff Accounting Bulletin No. 104 and ASC 605 Revenue Recognition.

The Company's revenue represents revenue from sales of products, provision of services and collaborative research and development agreements.

We recognize revenue from sales of products at the time title of goods passes to the buyer and the buyer assumes the risks and rewards of ownership, assuming all other revenue recognition criteria have been met. Generally, this is at the time products are shipped to the customer.

Revenue from services are recognized when a persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Revenue recognition principles are assessed for each new contractual arrangement and the appropriate accounting is determined for each service.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Where our agreements contain multiple elements, or deliverables, such as the manufacture and sale of products, provision of services or research and development activities, they are assessed to determine whether separate delivery of the individual elements of such arrangements comprises more than one unit of accounting. Where an arrangement can be divided into separate units of accounting (each unit constituting a separate earnings process), the arrangement consideration is allocated amongst those varying units based on the relative selling price of the separate units of accounting and the applicable revenue recognition criteria applied to the separate units. Selling prices are determined using fair value, either vendor specific objective evidence or third party evidence of the selling price, when available, or the Company's best estimate of selling price when fair value is not available for a given unit of accounting.

Under ASC 605-25, which the Company adopted on January 1, 2009, the delivered item(s) are separate units of accounting, provided (i) the delivered item(s) have value to a customer on a stand-alone basis, and (ii) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in our control. Where the arrangement cannot be divided into separate units, the individual deliverables are combined as a single unit of accounting and the total arrangement consideration is recognized across other deliverables in the arrangement or over the estimated collaboration period. Payments under these arrangements typically include one or more of the following: non-refundable, upfront payments; funding of research and/or development efforts; and milestone payments.

We typically generate milestone payments from our customers pursuant to the various agreements we have with them. Non-refundable milestone payments which represent the achievement of a significant technical/regulatory hurdle in the research and development process, pursuant to collaborative agreements, and are deemed to be substantive, are recognized as revenue upon the achievement of the specified milestone. If the non-refundable milestone payment is not substantive or stand-alone value, the non-refundable milestone payment is deferred and recognized as revenue either over the estimated performance period stipulated in the agreement or across other deliverables in the arrangement.

Management has concluded that the core operations of the Company are expected to be research and development activities, commercial manufacture of approved medical or testing devices and the provision of services. The Company's ultimate goal is to utilize the underlying technology and skill base for the development of marketable products that the Company will manufacture. The Company considers revenue from the sales of products, revenue from services and the income received from milestone payments indicative of its core operating activities or revenue producing goals of the Company, and as such have accounted for this income as "revenues".

Product and Service Agreements

In October 2007, the Company and LifeScan entered into a Master Services and Supply Agreement, under which the Company would provide certain services to LifeScan in the field of blood glucose monitoring and act as a non-exclusive manufacturer of blood glucose test strips. The Master Services and Supply Agreement was subsequently amended and restated in May 2009. The Company has concluded the Master Services and Supply Agreement should be accounted for as three separate units of accounting: 1) research and development to assist LifeScan in receiving regulatory clearance to sell the blood glucose product (milestone payment), 2) contract manufacturing of the blood glucose test strips (contract manufacturing) and 3) ongoing services and efforts to enhance the product (product enhancement).

All consideration within the Master Services and Supply agreement is contingent. The Company concluded the undelivered items were not priced at a significant incremental discount to the delivered items and revenue for each deliverable will be recognized as each contingency is met and the consideration becomes fixed and determinable. The milestone payment was considered to be a substantive payment and the entire amount has been recognized as revenue when the regulatory approval was received. Revenues for contract manufacturing and ongoing efforts to enhance the product are recognized as revenue from products or revenue from services, respectively, when the four basic criteria for revenue recognition are met.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

In October 2011, the Company entered into a Statement of Work pursuant to the Development and Research Agreement with LifeScan to provide services for a feasibility study for an innovative blood glucose product. The services relating to this agreement, which commenced in September 2011, are expected to take 12 months to complete.

Research and Development Agreement

On September 9, 2011 the Company entered into a collaboration agreement with Siemens to develop coagulation related products for hospital point-of-care and ambulatory care coagulation markets. In addition to an up-front, non-refundable payment of US$3 million; the Company may receive up to six payments from Siemens upon the achievement of certain defined milestones relating to feasibility, regulatory submissions and the launch of the products to be developed. The Company has concluded that the up-front payment is not a separate unit of accounting and recorded the amount as deferred revenue to be recognized as revenue across other deliverables in the arrangement with Siemens based upon the Company's best estimate of selling price. The deliverables related to each milestone are considered substantive and are not priced at a significant incremental discount to the other deliverables. As the achievement of the milestones is contingent upon a future event, the revenue for each deliverable will be recognized as the contingencies are met and the consideration becomes fixed and determinable.

In June 2012, the Company delivered on its first milestone by achieving proof of technical feasibility of a new test strip and received a payment of US$1.5 million as consideration. A sum of US$2,142,857 has been recognized as revenue from services in June 2012 in this regards. Of the total amount recognized as revenue, US$1.5 million relates to the achievement of the first milestone whilst the balance relates to a portion of the deferred US$3 million up-front payment which has been recognized as revenue.

Interest income

Interest income is recognized as it accrues, taking into account the effective yield on the cash and cash equivalents.

Foreign Currency

Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and UBS is AUD or A$ for all years presented.

The consolidated financial statements are presented using a reporting currency of Australian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations.

The Company has recorded foreign currency transaction losses of A$33,265 and A$256,576 for the three month period ended June 30, 2012 and 2011, respectively and A$130,238 and A$367,679 for the six month period ended June 30, 2012 and 2011, respectively.

The results and financial position of all the Group entities that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

- assets and liabilities for each balance sheet item reported are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to the Accumulated Other Comprehensive Income.

Commitments and Contingencies

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. These were nil as at June 30, 2012 and December 31, 2011.

Patent and License Costs

Legal and maintenance fees incurred for patent application costs have been charged to expense and reported in research and development expense. Legal and maintenance fees incurred for patents relating to commercialized products are capitalized and amortized over the life of the patents.

Clinical Trial Expenses

Clinical trial costs are a component of research and development expenses. These expenses include fees paid to participating hospitals and other service providers, which conduct certain testing activities on behalf of the Company. Depending on the timing of payments to the service providers and the level of service provided, the Company records prepaid or accrued expenses relating to these costs.

These prepaid or accrued expenses are based on estimates of the work performed under service agreements.

Leased Assets

All of the Company's leases are considered operating leases. The costs of operating leases are charged to the statement of operations on a straight-line basis over the lease term.

Stock-based Compensation

We measure stock-based compensation at grant date, based on the estimated fair value of the award, and recognize the cost as an expense on a straight-line basis over the vesting period of the award. We estimate the fair value of stock options using the Trinomial Lattice model. We also grant our employees Restricted Stock Units ("RSUs") and Zero Priced Employee Options ("ZEPOs"). RSUs are stock awards granted to employees that entitle the holder to shares of common stock as the award vests. ZEPOs are stock options granted to employees that entitle the holder to shares of common stock as the award vests. The value of RSUs and ZEPOs are determined and fixed on the grant date based on the Company's stock price.

We record deferred tax assets for awards that will result in deductions on our income tax returns, based on the amount of compensation cost recognized and our statutory tax rate in the jurisdiction in which we will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported in our income tax return are recorded in expense or in capital in excess of par value if the tax deduction exceeds the deferred tax assets or to the extent that previously recognized credits to paid-in-capital are still available if the tax deduction is less than the deferred tax asset.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

(a) Stock Option Plan

In 2004, the Company adopted an employee option plan ("Plan"). Options may be granted pursuant to the Plan to any person considered by the board to be employed by the Group on a permanent basis (whether full time, part time or on a long term casual basis). Each option gives the holder the right to subscribe for one share of common stock. The total number of options that may be issued under the Plan is such maximum amount permitted by law and the Listing Rules of the Australian Securities Exchange ("ASX"). The exercise price and any exercise conditions are determined by the board at the time of grant of the options. Any exercise conditions must be satisfied before the options vest and become capable of exercise. The options lapse on such date determined by the board at the time of grant or earlier in accordance with the Plan. Options granted to date have had a term up to 10 years and generally vest in equal tranches over three years.

An option holder is not permitted to participate in a bonus issue or new issue of securities in respect of an option held prior to the issue of shares to the option holder pursuant to the exercise of an option. If the Company changes the number of issued shares through or as a result of any consolidation, subdivision, or similar reconstruction of the issued capital of the Company, the total number of options and the exercise price of the options (as applicable) will likewise be adjusted.

In accordance with ASC 718, the fair value of the option grants was estimated on the date of each grant using the Trinomial Lattice model. The assumptions for these grants were:

	Grant Date					
	Mar-12	Nov-11	Nov-11	Sep-11	Mar-11	Feb-11
Exercise Price (A$)	0.75	Nil	0.89	1.00	1.37	1.38
Share Price at Grant Date (A$)	0.75	0.89	0.89	1.00	1.37	1.38
Volatility	67%	68%	68%	69%	70%	71%
Expected Life (years)	7	7	7	7	7	7
Risk Free Interest Rate	3.78%	3.72%	3.72%	3.89%	5.36%	5.45%
Fair Value of Option (A$)	0.44	0.89	0.52	0.59	0.83	0.83

Stock option activity during the current period is as follows:

	Number of shares	Weighted average exercise price A$
Balance at December 31, 2011	11,417,536	1.02
Granted	156,000	0.75
Exercised	(62,241)	0.31
Lapsed	(208,332)	1.13
Balance at June 30, 2012	11,302,963	1.02

The number of options exercisable as at June 30, 2012 and December 31, 2011 was 7,777,784 and 8,011,691, respectively. The total stock compensation expense recognized in income statement is A$280,553 and A$831,539 for the three month period ended June 30, 2012 and 2011, respectively and A$475,344 and A$1,024,464 for the six month period ended June 30, 2012 and 2011, respectively.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

As of June 30, 2012, there was A$1,271,888 of unrecognized compensation expense related to unvested share-based compensation arrangements under the Employee Option Plan. This expense is expected to be recognized as follows:

Fiscal Year	A$
2012	783,065
2013	429,507
2014	59,316
	1,271,888

The aggregate intrinsic value for all options outstanding as at June 30, 2012 and December 31, 2011 was zero.

(b) Restricted Share Plan

Our Employee Share Plan was adopted by the Board of Directors in 2009. The Employee Share Plan permits our Board to grant shares of our common stock to our employees and directors. The number of shares able to be granted is limited to the amount permitted to be granted at law, the ASX Listing Rules and by the limits on our authorized share capital in our certificate of incorporation. All our employees are eligible for shares under the Employee Share Plan. The Company currently proposes to continue to issue A$1,000 worth of RSUs to employees of the Company on a recurring basis, but no more frequently than annually. The restricted shares have the same terms of issue as our existing shares of common stock but are not able to be traded until the earlier of three years from the date on which the shares are issued or the date the relevant employee ceases to be an employee of the Company or any of its associated group of companies.

The table below sets forth the RSUs issued by the Company since January 1, 2011:

	Number of Restricted Shares Issued	Market Value of Restricted Shares Issued
November, 2011	86,471	A$76,959

Restricted stock awards activity during the current period is as follows:

	Number of shares	Weighted average issue price A$
Balance at December 31, 2011	157,763	1.23
Release of restricted shares	(7,640)	1.31
Balance at June 30, 2012	150,123	1.22

Employee Benefit Costs

The Company contributes to standard defined contribution superannuation funds on behalf of all employees at nine percent of each such employee's salary. Superannuation is a compulsory savings program whereby employers are required to pay a portion of an employee's remuneration to an approved superannuation fund that the employee is typically not able to access until they are retired. The Company permits employees to choose an approved and registered superannuation fund into which the contributions are paid. Contributions are charged to the statement of operations as they become payable.

Borrowings

In January 2012, UBS entered into an arrangement with BMW Australia Finance Pty Ltd to fund the Group's insurance premium. The total amount financed is A$921,725 at inception. Interest is charged at a fixed rate of 3.2% per annum and the short-term borrowing is repayable over a 12 month period. The short-term borrowing is secured by the insurance premium refund. The carrying value for borrowings approximates fair value because of the short maturity of the loan.

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Net Loss per Share and Anti-dilutive Securities

Basic and diluted net loss per share is presented in conformity with ASC 260 – Earnings per Share. Basic and diluted net loss per share has been computed using the weighted-average number of common shares outstanding during the period. Other than in a profit making year, the potentially dilutive options issued under the Universal Biosensors Employee Option Plan were not considered in the computation of diluted net loss per share because they would be anti-dilutive given the Company's loss making position.

Total Comprehensive Income

The Company follows ASC 220 – Comprehensive Income. Comprehensive income is defined as the total change in shareholders' equity during the period other than from transactions with shareholders, and for the Company, includes net income and cumulative translation adjustments.

The tax effects allocated to each component of other comprehensive income is as follows:

	Before-Tax Amount A$	Tax (Expense)/ Benefit A$	Net-of-Tax Amount A$
Six months ended June 30, 2012			
Unrealized loss on derivative instruments	0	0	0
Reclassification for gains realised in net income	83,339	0	83,339
Other comprehensive loss	83,339	0	83,339
Six months ended June 30, 2011			
Unrealized gain on derivative instruments	0	0	0
Other comprehensive income	0	0	0

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11 which amended the disclosure requirements regarding offsetting assets and liabilities of derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The enhanced disclosures will require entities to provide both net and gross information for these assets and liabilities. The amendment is effective for fiscal years beginning on or after January 1, 2013. The Company does not anticipate that this amendment will have a material impact on its financial statements.

Related Party Transactions

Details of related party transactions material to the operations of the Group other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business, are set out below:

In September 2011, we entered into a license agreement with SpeeDx Pty Ltd ("SpeeDx") pursuant to which SpeeDx granted us a license in the field of molecular diagnostics. Under the agreement we make milestone payments totaling A$500,000 if certain specified targets are achieved and payments ranging from 5% to 15% of our sales and licensing revenues to SpeeDx. Messrs Denver and Jane are directors of the Company and SpeeDx Pty Ltd. Certain of our substantial shareholders also hold substantial shareholdings in SpeeDx. CM Capital Pty Ltd, which holds approximately 11% of our shares and of which Mr Jane is a director, holds approximately 33% of the issued shares in SpeeDx. PFM Cornerstone Limited, which holds approximately 7% of our shares and of which Messrs Denver and Hanley and Dr

Universal Biosensors, Inc.

Notes to Consolidated Condensed Financial Statements (Unaudited)

Adam are directors, holds approximately 33% of the issued shares in SpeeDx. Johnson & Johnson Development Corporation has a beneficial interest in approximately 9% of our shares. An affiliate of Johnson & Johnson, Johnson and Johnson Research Pty Ltd owns approximately 12% of issued shares in SpeeDx.

Based on the latest Amendment to Schedule 13G filed on January 25, 2012, Johnson and Johnson Development Corporation (a venture capital wholly owned subsidiary of Johnson & Johnson) beneficially held 14,915,400 shares in the Company as at December 31, 2011 which represents approximately 9.4% of the Company's shares. The latest available Thomson Reuters report, a third party independent analyst, indicates that as of June 29, 2012, Johnson and Johnson Development Corporation has reduced their shareholding to 13,742,708 shares in the Company.

The following transactions occurred with LifeScan:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Current Receivables - Owing by LifeScan				
Sale of goods			2,928,998	962,997
Sale of services			286,754	241,689
			3,215,752	1,204,686
Revenue from LifeScan				
Revenue from products	4,734,628	2,267,766	9,458,849	5,587,167
Revenue from services	1,407,970	476,129	3,069,860	722,049
	6,142,598	2,743,895	12,528,709	6,309,216

Universal Biosensors, Inc.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operations and financial condition. You should read this analysis in conjunction with our audited consolidated financial statements and related footnotes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K filed with the United States Securities and Exchange Commission ("SEC"). This Form 10-Q contains, including this discussion and analysis, certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by such acts. For this purpose, any statements that are not statements of historical fact may be deemed to be forward looking statements, including statements relating to future events and our future financial performance. Those statements in this Form 10-Q containing the words "believes", "anticipates", "plans", "expects", and similar expressions constitute forward looking statements, although not all forward looking statements contain such identifying words.

The forward looking statements contained in this Form 10-Q are based on our current expectations, assumptions, estimates and projections about the Company and its businesses. All such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those results expressed or implied by these forward-looking statements, including those set forth in this Quarterly Report on Form 10-Q.

Our Business

We are a specialist medical diagnostics company focused on the research, development and manufacture of in vitro diagnostic test devices for consumer and professional point-of-care use.

We were incorporated in the State of Delaware on September 14, 2001 and our shares of common stock in the form of CHESS Depositary Interests ("CDIs") have been quoted on the Australian Securities Exchange ("ASX") since December 13, 2006. Our securities are not currently traded on any other public market. Our wholly owned subsidiary and primary operating vehicle, Universal Biosensors Pty Ltd ("UBS") was incorporated as a proprietary limited company in Australia on September 21, 2001. UBS conducts our research, development and manufacturing activities in Melbourne, Australia.

We have rights to an extensive patent portfolio, with certain patents owned by UBS and a number licensed to UBS including under a license agreement between LifeScan, Inc. ("LifeScan") and UBS ("License Agreement"). Unless otherwise noted, references to "LifeScan" in this document are references collectively or individually to LifeScan, Inc., and/or LifeScan Europe, a division of Cilag GmbH International, both affiliates of Johnson and Johnson.

We are using our electrochemical cell technology platform to develop tests for a number of different markets. Our current focus is as set out below:

- Blood glucose – UBS provides services and acts as a non-exclusive manufacturer of test strips for LifeScan's "OneTouch® Verio™" blood glucose testing product, pursuant to a Master Services and Supply Agreement with LifeScan ("Master Services and Supply Agreement"). LifeScan continues its global rollout of the OneTouch® Verio™ product which is currently available in North America, major European markets and Australia. We also undertake research and development work for LifeScan pursuant to a development and research agreement ("Development and Research Agreement").
- Coagulation testing market – UBS is working with Siemens Healthcare Diagnostics, Inc. ("Siemens") to develop a range of products for the point-of-care coagulation market, pursuant to a collaboration agreement ("Collaboration Agreement").
- Other electrochemical-cell based tests – we are working to develop other point-of-care tests on our technology platform, including tests based on enzymatic, immunoassay and molecular diagnostic methods. We may seek to enter into collaborative arrangements or strategic alliances with respect to any tests arising from this work.

Universal Biosensors, Inc.

Results of Operations

Revenue from Products

OneTouch® Verio™ was first launched in the Netherlands in January 2010 and has subsequently been launched in Australia, all major European markets and North America. The manufacturing results of the blood glucose test strips during the respective periods are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Revenue from products	4,734,628	2,267,766	9,458,849	5,587,167
Cost of goods sold	(4,447,610)	(2,694,792)	(9,316,187)	(6,186,844)
	287,018	(427,026)	142,662	(599,677)

Pursuant to the agreement we have with LifeScan, one of two pricing methodologies will apply depending on whether we received purchase orders above or below a specified quantity of blood glucose test strips in a quarter. If purchase orders of less than the specified quantity of test strips are received within a quarter, we are considered to be in the "interim costing period". In the interim costing period, the Company is not expected to generate any profit from the manufacture of test strips, but is expected to recover most of its glucose manufacturing costs. If purchase orders increase beyond the specified quantity of blood glucose test strips per quarter, the interim costing period will cease to apply and a different pricing methodology will apply, at which time we expect our blood glucose manufacturing operations to be profitable. Revenue from product sales varies every quarter and is dependent upon LifeScan's requirements.

During 2009, LifeScan chose not to proceed with the registration of the then current product but to proceed with an enhanced product, called OneTouch® Verio™, and acknowledged that there would be a delay as a result. As a result of this change, LifeScan agreed to pay us an additional amount per strip manufactured by us up to a certain volume in 2010. In 2011, as long as we remained in the interim costing period, LifeScan agreed to pay us an additional amount per strip equivalent to 50% of the amount agreed with LifeScan in 2010. These additional payments ceased during the third quarter of 2011.

Whilst we received the additional amount per strip during the first two quarters of 2011, we still sustained a manufacturing loss as we were in the interim costing period and the total revenue was not sufficient to recover our manufacturing costs.

For the three and six months ended June 30, 2012, we generated profits from our blood glucose manufacturing operations as we ceased to be in the interim costing period in the fourth quarter of 2011 and remained outside the interim costing period during the first two quarters of 2012. Although the manufacturing volumes during the first and second quarters of 2012 were similar, we sustained a minor loss in the first quarter due to increased manufacturing costs. The increased manufacturing costs reflected lower yields and manufacturing transition as volumes grew. In the second quarter, management efforts to improve manufacturing efficiency have resulted in lower costs and improved margins.

We expect to remain outside the interim costing period in the third quarter of 2012.

Revenue from Services

We provide various services to our customers and partners. The revenue is grouped into the following categories:

- Contract research and development – we undertake contract research and development on behalf of our customers and partners;
- Product enhancement – a service fee based on the number of strips sold by our customers and partners is payable to us as an ongoing reward for our services and efforts to enhance the product;
- Other services – ad-hoc services provided on an agreed basis based on our customers and partners requirements.

Universal Biosensors, Inc.

There are different arrangements for each service being provided. The net margin during the respective periods in relation to the provision of services is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Revenue from services	3,583,018	476,129	5,260,528	722,049
Cost of services	(204,177)	(140,987)	(429,979)	(204,506)
	3,378,841	335,142	4,830,549	517,543

Contract research and development and the product enhancement service fee makes up the major portion of revenue from services.

Contract research and development - the nature and scope of contract research and development is determined by our customers and partners based upon their requirements and therefore our revenues and margins tend to fluctuate. There was an increase in the contract research and development revenue during the three and six months ended June 30, 2012 compared to the same periods of the previous fiscal year. The increase reflects the commencement of a new research and development project for LifeScan in September 2011. The project is to determine the feasibility of an innovative blood glucose product. The US$4.5 million feasibility project awarded to us by LifeScan is expected to take 12 months. Revenue is recognized for the feasibility project when services have been performed, the amount of the payment can be reliably measured and collectability is reasonably assured. We recognize revenue for accounting purposes ratably over the feasibility period. The increase in research and development revenue during the three and six months ended June 30, 2012 compared to the same periods of the previous fiscal year also reflects revenue of US$2,142,857 recognized during the three month period ended June 30, 2012 pursuant to our collaboration agreement with Siemens. Of the total amount recognized as revenue, US$1.5 million relates to the achievement of the first milestone, achieving proof of technical feasibility of a new test strip, and the balance relates to a portion of the deferred US$3 million up-front payment under the collaboration agreement.

Service fee - these are based on the number of strips sold by LifeScan. The service fee increased by 329% and 402% to US$456,215 and US$985,242 respectively, during the three and six months ended June 30, 2012 as compared to the same period in the previous financial year due primarily to the fact that the OneTouch® Verio™ is now sold in all the major western markets including the United States.

Research and Development Expenses

Research and development expenses are related to developing electrochemical cell platform technologies. Research and development expenses consist of costs associated with research activities, as well as costs associated with our product development efforts, including pilot manufacturing costs. Research and development expenses include:

- consultant and employee related expenses, which include consulting fees, salary and benefits;
- materials and consumables acquired for the research and development activities;
- external research and development expenses incurred under agreements with third party organizations and universities; and
- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, depreciation of leasehold improvements and equipment and laboratory and other supplies.

Our principal research and development activities can be described as follows:

(a) Blood coagulation

Since 2005, we have undertaken development work on a Prothrombin Time test for monitoring the therapeutic range of the anticoagulant, warfarin, based on measuring activity of the enzyme thrombin. In September 2011 we entered into a collaboration agreement with Siemens pursuant to which we will develop a range of test strips and reader products for the point-of-care coagulation market. The first test to be developed will be a modified version of a Prothrombin Time International Normalized Ratio test developed by UBS, followed by other tests in the point-of-care coagulation market.

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(b) Immunoassay

We are continuing to develop our immunoassay platform. We are developing a D-dimer test for the detection and monitoring of several conditions associated with thrombotic disease, particularly deep venous thrombosis (clots in the leg) and pulmonary embolism (clots in the lung). We are also working on a C-reactive protein test to assist in the diagnosis and management of inflammatory conditions.

This work will allow the electrochemical cell platform technology to be expanded to a range of immunoassay tests.

(c) DNA/RNA

We have undertaken some early stage work assessing the possibility of using DNA binding chemistries to build a strip test for DNA, RNA and as a possible alternative method for improving the sensitivity of protein assays. This concept work is at an early stage and may not yield any positive results. We have recently entered into a license with SpeeDx Pty Ltd to access certain molecular diagnostic technology.

Research and development expenses for the respective periods are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Research and development expenses	3,118,746	2,969,982	5,383,644	4,717,489

Depending on the number of research and development activities we undertake and the development phase of the research and development, our research and development expenditure will fluctuate. Research and development expenditure increased by 5% and 14% during the three and six months ended June 30, 2012 compared to the same period of the previous fiscal year. The Prothrombin Time test project is in the final stages of the development phase and is targeted for launch in 2013. An increased volume of work is required during this development phase as validation and testing of the product increases. During the latter half of 2011, we also commenced work on a range of other test strips and reader products for the point-of-care coagulation market pursuant to our agreement with Siemens. We received a milestone payment of US$1.5 million from Siemens in June 2012 which subsidized research and development expenses attributable to Siemens related projects. This amount has been recorded as “Revenue from services”. If other pre-agreed milestones set by Siemens are achieved, a portion of the research and development expenditure will be subsidized by milestone payments from Siemens.

The non-cash components of depreciation and share based payments expense included in the research and development expenditure are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Depreciation	175,968	281,129	358,671	508,842
Share based payments	121,970	345,063	206,656	444,177
	297,938	626,192	565,327	953,019

While we have a degree of control as to how much we spend on research and development activities in the future, we cannot predict what it will cost to complete our individual research and development programs successfully or when or if they will be commercialized. The timing and cost of any program is dependent upon achieving technical objectives, which are inherently uncertain.

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In addition, our business strategy contemplates that we may enter into collaborative arrangements with third parties for one or more of our non-blood glucose programs. In the event that we are successful in securing such third party collaborative arrangements, the third party will direct the research and development activities which will influence our research and development expenditure and these parties may contribute towards all or part of the cost of these activities.

General and Administrative Expenses

General and administrative expenses currently consist principally of salaries and related costs, including stock option expense, for personnel in executive, business development, finance, accounting, information technology and human resources functions. Other general and administrative expenses include depreciation, repairs and maintenance, insurance, facility costs not otherwise included in research and development expenses, consultancy fees and professional fees for legal, audit and accounting services. General and administrative expenses are generally fixed in nature.

General and administrative expenses for the respective periods are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
General and administrative expenses	1,583,980	1,800,900	3,068,856	3,206,258

General and administrative expenses decreased by 12% and 4% during the three and six months ended June 30, 2012 compared to the same period previous financial year and reflect management's intent of restricting spending on non-core activities. The non-cash components of depreciation and share based payments expense included in the general and administrative expenditure are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	A$	A$	A$	A$
Depreciation	22,932	51,000	46,091	102,917
Share based payments	134,404	415,362	227,722	488,745
	157,336	466,362	273,813	591,662

Interest Income

Interest income decreased by 33% and 39% during the three and six months ended June 30, 2012 compared to the same period in the previous financial year. The decrease in interest income is attributable to lower interest rates and the lower amount of funds available for investment.

Interest Expense

Interest expense of A$7,316 and A$17,070 for the three and six months ended June 30, 2012 relates to a 3.2% interest being charged on a short-term borrowing initiated in January 2012.

Other

Other is primarily represented by foreign exchange movements arising from the settlement of foreign denominated transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies. There was an unfavorable movement in exchange rates in all periods presented hence amounting to a foreign exchange loss.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these consolidated financial statements requires us to make

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estimates and assumptions that affect the reported amounts of assets, liabilities, income, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

We believe that of our significant accounting policies, which are described in the notes to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, we believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

(a) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Product is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred.

In addition, the Company enters into arrangements, which contain multiple revenue generating activities. The revenue for these arrangements is recognized as each activity is performed or delivered, based on the relative fair value and the allocation of revenue to all deliverables based on their relative selling price. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocation of revenue to deliverables, vendor-specific objective evidence, third-party evidence of selling price and the Company's best estimate of selling price. The Company's process for determining its best estimate of selling price for deliverables without vendor-specific objective evidence or third-party evidence of selling price involves management's judgment. The Company's process considers multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable.

(b) Stock-Based Compensation

We account for stock-based employee compensation arrangements using the modified prospective method as prescribed in accordance with the provisions of ASC 718 – Compensation – Stock Compensation.

Each of the inputs to the Trinomial Lattice model is discussed below.

Share Price at Valuation Date

The value of the options granted in 2012 and 2011 has been determined using the closing price of our common stock trading in the form of CDIs on ASX at the time of grant of the options. The ASX is the only exchange upon which our securities are quoted.

Volatility

We applied volatility having regard to the historical price change of our shares in the form of CDIs available from the ASX.

Time to Expiry

All options granted under our share option plan have a maximum 10 year term and are non-transferable.

Risk Free Rate

The risk free rate which we applied is equivalent to the yield on an Australian government bond with a time to expiry approximately equal to the expected time to expiry on the options being valued.

(c) Income Taxes

We apply ASC 740 – Income Taxes which establishes financial accounting and reporting standards for the effects of income taxes that result from a company's activities during the current and preceding years. Deferred tax assets and

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liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Where it is more likely than not that some portion or all of the deferred tax assets will not be realized the deferred tax assets are reduced by a valuation allowance. The valuation allowance is sufficient to reduce the deferred tax assets to the amount that is more likely than not to be realized.

(d) Impairment of Long-Lived Assets

We review our capital assets, including patents and licenses, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. In performing the review, we estimate undiscounted cash flows from products under development that are covered by these patents and licenses. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount of the asset. If the evaluation indicates that the carrying value of an asset is not recoverable from its undiscounted cash flows, an impairment loss is measured by comparing the carrying value of the asset to its fair value, based on discounted cash flows.

Financial Condition, Liquidity and Capital Resources

Net Financial Assets

Our net financial assets position is shown below:

	Six Months Ended June 30, 2012 A$	Year Ended December 31, 2011 A$
Financial assets:		
Cash and cash equivalents	14,709,678	15,089,209
Accounts receivables	3,216,991	4,889,783
Financial instruments	0	83,339
Total financial assets	17,926,669	20,062,331
Debt:		
Short term borrowings	384,052	0
Total debt	384,052	0
Net financial assets	17,542,617	20,062,331

We rely largely on our existing cash and cash equivalents and funds from our operations to provide for the working capital needs of our operations. We believe we have sufficient cash and cash equivalents to fund our operations for at least the next twelve months.

The carrying value of the cash and cash equivalents and the accounts receivables approximates fair value because of their short-term nature.

We regularly review all our financial assets for impairment. There were no impairments recognized for the three and six months ended June 30, 2012 and 2011.

Derivative Instruments and Hedging Activities

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider our own and counterparty credit risk. At June 30, 2012 and year ended December 31, 2011, we did not have any assets or liabilities that utilize Level 3 inputs. The

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valuation of our foreign exchange derivatives are based on the market approach using observable market inputs, such as forward rates and incorporate non-performance risk (the credit standing of the counterparty when the derivative is in a net asset position, and the credit standing of the Company when the derivative is in a net liability position). Our derivative assets are categorized as Level 2.

We had outstanding contracts with a notional amount of nil and US$4.0 million as at June 30, 2012 and December 31, 2011, respectively. The fair value of these contracts at June 30, 2012 was nil and an asset of A$83,339 at December 31, 2011 recorded as 'Financial Instruments' in the consolidated condensed balance sheet. During the three and six months ended June 30, 2012, we recognized losses of A$35,001 and gains of A$83,339 recorded in earnings, respectively. No amount of ineffectiveness was recorded in earnings for these designated cash flow hedges for the year ended June 30, 2012 (2011: nil). For further details, see Notes to Consolidated Financial Statements – *Summary of Significant Accounting Policies.*

Measures of Liquidity and Capital Resources

The following table provides certain relevant measures of liquidity and capital resources:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	A$	A$
Cash and cash equivalents	14,709,678	15,089,209
Working capital	15,616,908	17,584,523
Ratio of current assets to current liabilities	3.33 : 1	3.51 : 1
Shareholders' equity per common share	0.20	0.22

The movement in cash and cash equivalents and working capital in each of the years was primarily due to the timing of cash receipts, payments, sales and accruals in the ordinary course of business. We have not identified any collection issues with respect to receivables.

Summary of Cash Flows

	Six Months Ended June 30,	
	2012	2011
	A$	A$
Cash provided by/(used in):		
Operating activities	(356,839)	(5,054,403)
Investing activities	(420,562)	(802,599)
Financing activities	397,870	72,986
Net increase/(decrease) in cash and cash equivalents	(379,531)	(5,784,016)

The major drivers of the operating cash outflows during the six month period ended June 30, 2012 were:

- An increase in the Company's production volumes from the OneTouch® Verio™ requiring additional resources (both materials and labour); and
- An increase in our research and development activities, primarily relating to our collaboration with Siemens.

The operating cash outflows during this period were to a large extent offset by receipts from our customers and partners including the US$1.5 million milestone payment from Siemens.

Our net cash used in operating activities during the six month period ended June 30, 2011 was primarily for our research and development projects including efforts involved in establishing our manufacturing. The outflow during this period has been partially offset by receipts from our customers and partners.

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Our net cash used in investing activities for all periods is primarily for the purchase of various plant and equipment, investments in disaster recovery and fit out of our facilities based on our needs.

We also took advantage of a favorable borrowing opportunity to prepay our annual insurances. The borrowings will be repaid within this financial year. This is reflected as a financing activity. A minor portion of the financing activities disclosed in our financial statements is attributable to the exercise of employee stock options.

Off-Balance Sheet Arrangement

The future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2012 are:

	A$
Less than 1 year	561,965
1 – 3 years	424,093
More than 3 years	0
Total minimum lease payments	986,058

The above relates to our operating lease obligations in relation to the lease of our premises and certain office equipment.

Contractual Obligations

Our future contractual obligations at June 30, 2012 were as follows:

	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
	A$	A$	A$	A$	A$
Asset Retirement Obligations (1)	2,259,077	0	2,259,077	0	0
Operating Lease Obligations (2)	986,058	561,965	424,093	0	0
Purchase Obligations (3)	4,792,658	3,392,658	1,400,000	0	0
Other Long-Term Liabilities on Balance Sheet (4)	203,217	0	156,850	40,220	6,147
Total	8,241,010	3,954,623	4,240,020	40,220	6,147

(1) Represents legal obligations associated with the retirement and removal of long-lived assets.
(2) Our operating lease obligations relate primarily to the lease of our premises.
(3) Represents outstanding purchase orders and contractual obligations that are payable on the achievement of certain milestones
(4) Represents long service leave owing to the employees.

Segments

We operate in one segment. Our principal activities are research and development, commercial manufacture of approved medical or testing devices and the provision of services including contract research work. We operate predominantly in one geographical area, Australia.

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Item 3 Quantitative and Qualitative Disclosures About Market Risk

Financial Risk Management

The overall objective of our financial risk management program is to seek to minimize the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these financial exposures through operational means and by using financial instruments. These practices may change as economic conditions change.

Foreign Currency Market Risk

We transact business in various foreign currencies, including U.S. dollars and Euros. We have established a foreign currency hedging program using forward contracts to hedge the net projected exposure for each currency and the anticipated sales and purchases in U.S. dollars and Euros. The goal of this hedging program is to economically guarantee or lock-in the exchange rates on our foreign exchange exposures. The Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

As at balance sheet date, there were no open derivatives.

Interest Rate Risk

Since the majority of our investments are in cash and cash equivalents in AUD, our interest income is affected by changes in the general level of Australian interest rates. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. Our investment portfolio is subject to interest rate risk but due to the short duration of our investment portfolio, we believe an immediate 10% change in interest rates would not be material to our financial condition or results of operations.

Inflation

Our business is subject to the general risks of inflation. Our results of operations depend on our ability to anticipate and react to changes in the price of raw materials and other related costs over which we may have little control. Our inability to anticipate and respond effectively to an adverse change in the price could have a significant adverse effect on our results of operations. In the face of increasing costs, the Company strives to maintain its profit margins through cost reduction programs, productivity improvements and periodic price increases.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures. At the end of the period covered by this report, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Paul Wright, Chief Executive Officer, and Salesh Balak, Chief Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Wright and Balak concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. During the fiscal quarter ended June 30, 2012, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation referred to above in this Item 4 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II

Item 1 Legal Proceedings

None.

Item 1A Risk Factors

None.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

With the exception of the issuance of shares of Common Stock upon the exercise of stock options issued to employees, there has been no sale of new equity securities by the Company since December 31, 2011. The table below sets forth the number of employee stock options exercised and the number of shares issued in the six month period ended June 30, 2012. The Company issued these shares in reliance upon exemptions from registration under Regulation S under the Securities Act of 1933, as amended.

Exercise Date	Number of Options Exercised and Corresponding Number of Shares Issued	Option Exercise Price	Proceeds Received (A$)
February, 2012	6,248	US$0.26	1,518
June, 2012	55,993	US$0.22	12,300
	62,241		13,818

The funds raised will be used for working capital requirements including the continued development of our existing pipeline and point-of-care tests and to identify and develop additional tests.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not applicable.

Item 5 Other Information

None.

Item 6 Exhibits

Exhibit No	Description	Location
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32	Section 1350 Certificate	Furnished herewith
101	The following materials from the Universal Biosensors, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Condensed Statements of Comprehensive Income, (iii) the Consolidated Condensed Statements of Changes in Stockholder's Equity, (iv) the Consolidated Condensed Statements of Cash Flows and (v) the Notes to Consolidated Condensed Financial Statements	As provided in Rule 406T of Regulation S-T, this information is furnished herewith and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL BIOSENSORS, INC.
(Registrant)

By: /s/ Paul Wright
Paul Wright
Principal Executive Officer

Date: August 6, 2012

By: /s/ Salesh Balak
Salesh Balak
Principal Financial Officer

Date: August 6, 2012

INDEX TO EXHIBITS
Quarterly Report on Form 10-Q
Dated August 6, 2012

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Exhibit 31.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Wright, certify that:

1. I have reviewed this report on Form 10-Q of Universal Biosensors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2012

/s/ Paul Wright
Paul Wright
Principal Executive Officer
Universal Biosensors, Inc.

Exhibit 31.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Salesh Balak, certify that:

1. I have reviewed this report on Form 10-Q of Universal Biosensors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2012

/s/ Salesh Balak
Salesh Balak
Principal Financial Officer
Universal Biosensors, Inc.

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 *

In connection with the quarterly report of Universal Biosensors, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. The undersigned have executed this Certificate as of the 6th day of August, 2012.

/s/ Paul Wright
Paul Wright
Principal Executive Officer

/s/ Salesh Balak
Salesh Balak
Principal Financial Officer

* This certification is being furnished as required by Rule 13a-14(b) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent such certification is explicitly incorporated by reference in such filing.