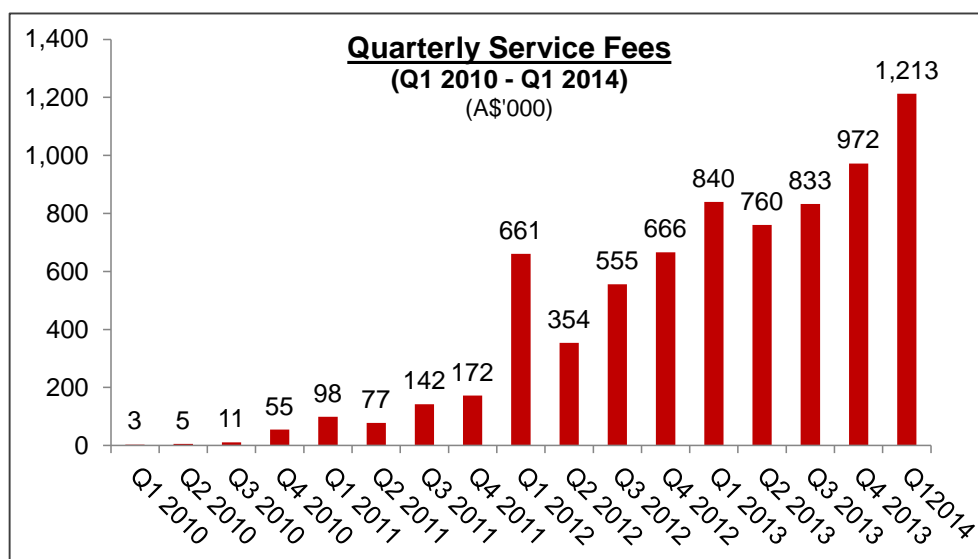


**Universal Biosensors, Inc.****Commentary on 1st Quarter of 2014**

Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 31 March 2014.

- Quarterly Service Fees continue to grow strongly***

Quarterly Service Fees (QSFs) generated from sales of OneTouch® Verio® blood glucose test strips were \$1,213,059 in the first quarter of 2014. This represents an increase of 44% when compared to the same period in the previous financial year, and an increase of 25% when compared to the previous quarter.



The quarterly cash flow report includes receipts from LifeScan of \$972k for QSFs earned in the last quarter of 2013.

- Release of working capital from glucose strip production***

During the quarter, LifeScan took over all our inventories relating to blood glucose test-strip production, valued at \$1.9M, following the transfer of manufacturing to LifeScan's own facilities at the end of 2013. Cash flows related to operating activities for the quarter include \$93k received pursuant to the sale of this inventory to LifeScan. The balance of the proceeds will be received in the second quarter ending 30 June 2014.

Also included in the operating activities for the quarter is an amount of \$575k which represents receipt of funds from a major supplier upon release of a letter of credit. The letter of credit was initially put in place to secure the supply of certain raw materials for blood glucose test strip production, but is no longer required.

- New product development focused on building point-of-care coagulation testing business***

We continue to invest in the development of four new coagulation testing products, the first of which is expected to launch before the end of the 3rd quarter this year and generate milestone payments and product revenues from Siemens.

As we advance our own patient self-test PT-INR system, we have executed several non-binding term sheets for the distribution of the system in jurisdictions which currently represent over 50% of the target market.

In this quarterly cash flow report, most of the operating outflows relating to R&D are expected to be eligible for the R&D tax rebate.

- ***Loan facilities***

Cash flows related to financing activities include interest and other financing costs of \$550k paid to the lenders pursuant to the Athyrium Credit Agreement.

As in previous years, we took out a loan to prepay annual insurances. This resulted in a financing inflow of \$553k during the quarter.

Overall, we consumed \$3.7M of cash during the quarter and our cash balance at 31st March 2014 was \$19.5M.

For further information, please contact:

Paul Wright
Chief Executive Officer
(03) 9213 9000

Salesh Balak
Chief Financial Officer
(03) 9213 9000

10 April, 2014

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

UNIVERSAL BIOSENSORS, INC.

ABN

67 950 836 446

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$AUD	Year to date (3 months) \$AUD
1.1	Receipts from customers	2,204,650	2,204,650
1.2	Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(6,206,797)	(6,206,797)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	61,666	61,666
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) - refer 1.26	575,000	575,000
	Net operating cash flows	(3,365,481)	(3,365,481)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$AUD	Year to date (3 months) \$AUD
1.8 Net operating cash flows (carried forward)	(3,365,481)	(3,365,481)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(140,720)	(140,720)
(e) installment payments to acquire plant and equipment		
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (investments held to maturity now converted as cash and cash equivalents)		
Net investing cash flows	(140,720)	(140,720)
1.14 Total operating and investing cash flows	(3,506,201)	(3,506,201)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings - refer 1.26	552,772	552,772
1.18 Repayment of borrowings - refer 1.26	(221,109)	(221,109)
1.19 Dividends paid		
1.20 Other (provide details if material) - refer 1.26	(549,678)	(549,678)
Net financing cash flows	(218,015)	(218,015)
Net increase (decrease) in cash held	(3,724,216)	(3,724,216)
1.21 Cash at beginning of quarter/year to date	23,742,422	23,742,422
1.22 Exchange rate translation adjustments to item 1.21	(553,458)	(553,458)
1.23 Cash at end of quarter	19,464,748	19,464,748

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$AUD
1.24	Aggregate amount of payments to the parties included in item 1.2	102,587
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions	
	<p><u>1.7</u> Release of letter of credit issued to a major supplier</p> <p><u>1.17 & 1.18</u> UBI took out a loan of \$552,772 to prepay its annual insurances. Four out of a total of 10 repayments have already been made as at 31 March 2014</p> <p><u>1.20</u> Represents interest and other financing charges made to the lenders pursuant to the Athyrium Credit Agreement.</p> <p><u>1.24</u> Non-Executive directors fees and salaries, including superannuation.</p>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	US\$25,000,000	US\$15,000,000
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$AUD	Previous quarter \$AUD
4.1	Cash on hand and at bank	19,464,748	23,742,422
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.23)		19,464,748	23,742,422

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Chief Financial Officer)

Date: 10 April 2014

Print name: Saleshe Balak

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.