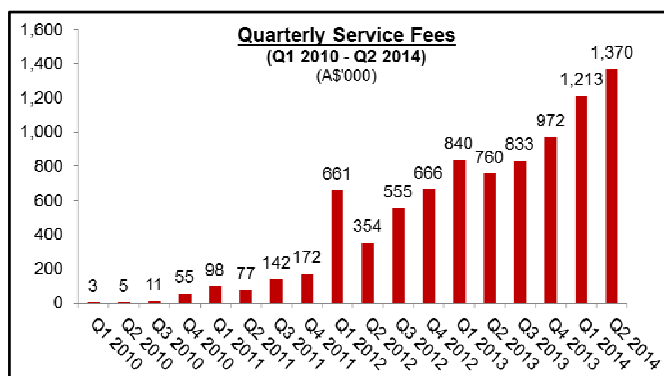


**Universal Biosensors, Inc.****Commentary on 2nd Quarter of 2014**

Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 30 June 2014.

- ***Growth in Quarterly Service Fees sustains momentum***

Quarterly Service Fees (QSFs) generated from sales of OneTouch® Verio® blood glucose test strips were \$1,369,529 in the second quarter of 2014. This represents an increase of 80% when compared to the same period in the previous financial year, and an increase of 13% when compared to the previous quarter.



- ***Launch of first Siemens product remains on track***

We continue to advance four new products for the US\$1B point-of-care coagulation testing market. The first of these products is targeted for launch before the end of the 3rd quarter this year, and on 24 June we announced that we had received our first commercial order from Siemens to manufacture the associated strips. The other three point-of-care coagulation testing products also remain on track for their 2015 launch target.

- ***Cash balance to be strengthened by over \$6 million R&D tax receipt expected in Q3***

Cash consumed by operating activities during the second quarter was \$2.3M, down 33% from \$3.7M in the previous quarter due to lower R&D costs and higher receipts during the period. During the current reporting quarter, we received from LifeScan a sum of \$1.0M, being the residual payment for the blood glucose strip-production inventories. Cash flows related to financing activities primarily include interest and other financing costs of \$528k paid to the lenders pursuant to the Athyrium Credit Agreement.

Our cash balance at 30th June 2014 was \$15.9M.

We expect to receive over \$6M in cash for the 2013 R&D tax rebate during the 3rd quarter. In addition, most of the operating outflows in this quarterly statement relating to R&D are expected to be eligible for the R&D tax rebate payable in 2015.

For further information, please contact:

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Chief Executive Officer
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Salesh Balak
Chief Financial Officer
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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")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$AUD	Year to date (6 months) \$AUD
1.1	Receipts from customers	3,056,233	5,260,883
1.2	Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(5,352,317)	(11,559,114)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	34,246	95,912
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
	Net operating cash flows	(2,261,838)	(5,627,319)

+ See chapter 19 for defined terms.

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

	Current quarter \$AUD	Year to date (6 months) \$AUD
1.8 Net operating cash flows (carried forward)	(2,261,838)	(5,627,319)
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	(260,044)	(400,764)
(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	(260,044)	(400,764)
1.14 Total operating and investing cash flows	(2,521,882)	(6,028,083)
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
1.18 Repayment of borrowings - refer 1.26	(165,832)	(386,941)
1.19 Dividends paid		
1.20 Other (provide details if material) - refer 1.26	(528,236)	(1,077,914)
Net financing cash flows	(694,068)	(912,083)
Net increase (decrease) in cash held	(3,215,950)	(6,940,166)
1.21 Cash at beginning of quarter/year to date	19,464,748	23,742,422
1.22 Exchange rate translation adjustments to item 1.21	(379,215)	(932,673)
1.23 Cash at end of quarter	15,869,583	15,869,583

+ 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>1.17 & 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

- 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

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 (* amount available conditional upon the Company satisfying certain conditions precedent)	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	15,869,583	19,464,748
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.23)		15,869,583	19,464,748

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: 14 July 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.