

## **Universal Biosensors, Inc.**

### **Commentary on 4<sup>th</sup> Quarter of 2011**

Universal Biosensors, Inc. has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 31 December 2011.

#### **4<sup>th</sup> Quarter Highlights**

- Continued rollout of OneTouch Verio
  - LifeScan commenced marketing, promotional and sales activities for its OneTouch Verio IQ in Canada. More recently, LifeScan has launched OneTouch Verio in the world's largest market, the United States.
- Increase in production volumes
  - During the first three quarters of 2011, we operated under what is known as the interim costing regime in our agreement with LifeScan. We ceased to be in the interim costing period in the fourth quarter of 2011 as our production volumes increased beyond the interim costing production threshold set out in our agreement with LifeScan.
- Commencement of new technology feasibility project for LifeScan
  - New research and development project for LifeScan to determine the feasibility of an innovative blood glucose product. The feasibility project is expected to take approximately 12 months. UBI will receive a total consideration for this project of US\$4.5 million subject to the achievement of certain milestones.

#### **Cash Flow Update**

Cash at 2011 year end is \$15 million. While the net operating cash outflow for the quarter of \$3.5 million was higher than the average quarterly run rate, this was offset by a high receivables balance at the end of the quarter of \$4.9 million.

The major drivers of this higher receivable balance are:

- Scale up of production and revenues in the last quarter of 2011 as we moved out of the interim costing period. This has driven increased payments to our suppliers for raw materials to support our production activities while the subsequent revenues have yet to be received; and
- receivables owing for services we performed for LifeScan pursuant to the new research and development project commenced in October 2011.

Overall for the 2011 year, net cash burn encompassing operating, investing and financing activities did not change significantly when compared to the 2010 financial year from the average monthly burn rate of \$668,000 in 2010 to \$682,000 in 2011, an increase of 2%.

For further information, please contact:

Paul Wright  
Chief Executive Officer  
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25 January, 2012

# 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 December 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$AUD	Year to date (12 months) \$AUD
1.1 Receipts from customers	3,445,650	17,785,966
1.2 Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(7,089,090)	(25,664,877)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	144,661	719,793
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>(3,498,779)</b>	<b>(7,159,118)</b>

+ See chapter 19 for defined terms.

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	Current quarter \$AUD	Year to date (12 months) \$AUD
1.8 Net operating cash flows (carried forward)	(3,498,779)	(7,159,118)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(230,239)	(1,102,943)
(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)		
<b>Net investing cash flows</b>	(230,239)	(1,102,943)
<b>1.14 Total operating and investing cash flows</b>	(3,729,018)	(8,262,061)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	2,518	79,504
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	2,518	79,504
<b>Net increase (decrease) in cash held</b>	(3,726,500)	(8,182,557)
1.21 Cash at beginning of quarter/year to date	18,815,709	23,271,766
1.22 Exchange rate translation adjustments to item 1.21		
1.23 <b>Cash at end of quarter</b>	15,089,209	15,089,209

+ 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	117,312
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

- |      |   |
|------|---|
| 1.1  | Includes milestone payment of US\$3 million                         |
| 1.24 | Non-Executive directors fees and salaries, including superannuation |

**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	-	-
3.2	Credit standby arrangements	-	-

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**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	15,089,209	18,815,709
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.23)	15,089,209	18,815,709

**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: .....Date: 25 January 2012  
 (Company secretary)

Print name: Cameron Billingsley

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## 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.

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