

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 September 30, 2022

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-52607



**Universal Biosensors, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**98-0424072**

*(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)*

Securities registered pursuant to Section 12(b) of the Act: None

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 every Interactive Data File required to be submitted 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 such files).

Yes  No

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

<i>Large accelerated filer</i>	<input type="checkbox"/>	<i>Accelerated filer</i>	<input type="checkbox"/>
<i>Non-accelerated filer</i>	<input checked="" type="checkbox"/>	<i>Smaller reporting company</i>	<input checked="" type="checkbox"/>
<i>Emerging growth company</i>	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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: 211,844,435 shares of Common Stock, U.S.\$0.0001 par value, outstanding as of October 27, 2022.

**UNIVERSAL BIOSENSORS, INC.**

**TABLE OF CONTENTS**

		<b>Page</b>
<b>PART I</b>	<b>FINANCIAL INFORMATION</b>	
Item 1	Financial Statements (unaudited)	
	1) Consolidated condensed balance sheets at September 30, 2022 and December 31, 2021	1
	2) Consolidated condensed statements of comprehensive income/(loss) for the three and nine months ended September 30, 2022 and 2021	2
	3) Consolidated condensed statements of changes in stockholders' equity and comprehensive income/(loss) for the three and nine months ended September 30, 2022 and 2021	3
	4) Consolidated condensed statements of cash flows for the nine months ended September 30, 2022 and 2021	5
	5) Notes to consolidated condensed financial statements	6
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3	Quantitative and Qualitative Disclosures About Market Risk	26
Item 4	Controls and Procedures	26
<b>PART II</b>	<b>OTHER INFORMATION</b>	
Item 1	Legal Proceedings	27
Item 1A	Risk Factors	27
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3	Defaults Upon Senior Securities	27
Item 4	Mine Safety Disclosures	27
Item 5	Other Information	27
Item 6	Exhibits	27
	Exhibit 31.1	
	Exhibit 31.2	
	Exhibit 32	
	Exhibit 101	
	Exhibit 104	
<b>SIGNATURES</b>		<b>28</b>

Unless otherwise noted, references in this Form 10-Q to "Universal Biosensors", the "Company," "Group," "we," "our" or "us" means Universal Biosensors, Inc. ("UBI") a Delaware corporation and, when applicable, its wholly owned Australian operating subsidiary, Universal Biosensors Pty Ltd ("UBS"), its wholly owned US operating subsidiary, Universal Biosensors LLC ("UBS LLC") and UBS' wholly owned Canadian operating subsidiary, Hemostasis Reference Laboratory Inc. ("HRL") and wholly owned Dutch operating subsidiary, Universal Biosensors B.V. ("UBS BV"). Unless otherwise noted, all references in this Form 10-Q to "\$", "A\$" or "dollars" and dollar amounts are references to Australian dollars. References to "US\$", "CAD\$" and "€" are references to United States dollars, Canadian dollars and Euros respectively.

Universal Biosensors, Inc.

Item 1 Financial Statements  
Consolidated Condensed Balance Sheets (Unaudited)

	September 30, 2022 A\$	December 31, 2021 A\$
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	26,933,003	15,318,201
Inventories	4,160,369	2,143,504
Accounts receivable	797,186	476,164
Prepayments	554,979	399,290
Restricted cash	1,098,140	1,968,814
Other current assets	7,474,548	4,544,273
Total current assets	41,018,225	24,850,246
Non-current assets:		
Property, plant and equipment	30,408,390	29,622,945
Less accumulated depreciation	(26,299,084)	(25,523,265)
Property, plant and equipment - net	4,109,306	4,099,680
Intangible assets	16,371,996	16,371,996
Less amortization of intangible assets	(4,944,773)	(3,720,908)
Intangible assets - net	11,427,223	12,651,088
Right-of-use asset - operating leases	4,684,541	2,050,336
Right-of-use asset - finance leases	60,758	0
Restricted cash	320,000	812,204
Other non-current assets	90,975	38,421
Total non-current assets	20,692,803	19,651,729
Total assets	61,711,028	44,501,975
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	434,815	436,763
Accrued expenses	5,591,862	2,800,815
Contingent consideration	2,306,983	2,067,255
Other liabilities	3,150,727	2,823,322
Contract liabilities	29,402	38,431
Lease liability - operating leases	748,068	500,284
Lease liability - finance leases	8,711	0
Employee entitlements liabilities	773,461	670,295
Short-term loan - unsecured	0	64,900
Total current liabilities	13,044,029	9,402,065
Non-current liabilities:		
Asset retirement obligations	2,816,980	2,721,260
Employee entitlements liabilities	35,997	29,268
Deferred income tax liability	3,050,837	3,050,837
Lease liability - operating leases	4,215,960	1,690,716
Lease liability - finance leases	57,876	0
Long-term loan - unsecured	67,355	0
Total non-current liabilities	10,245,005	7,492,081
Total liabilities	23,289,034	16,894,146
Commitments and contingencies	0	0
Stockholders' equity:		
Preferred stock, US\$0.01 par value. Authorized 1,000,000 shares; issued and outstanding nil at September 30, 2022 (nil at December 31, 2021)		
Common stock, US\$0.0001 par value. Authorized 300,000,000 shares; issued and outstanding 211,844,435 shares at September 30, 2022 (177,828,504 at December 31, 2021)	21,184	17,783
Additional paid-in capital	118,965,034	93,737,565
Accumulated deficit	(65,824,231)	(55,317,296)
Current year loss	(14,204,516)	(10,506,935)
Accumulated other comprehensive loss	(535,477)	(323,288)
Total stockholders' equity	38,421,994	27,607,829
Total liabilities and stockholders' equity	61,711,028	44,501,975

See accompanying Notes to Consolidated Condensed Financial Statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Comprehensive Income/(Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
<b>Revenue</b>				
Revenue from products	444,158	590,421	2,802,600	3,161,469
Revenue from services	235,818	568,525	961,163	1,389,365
Total revenue	679,976	1,158,946	3,763,763	4,550,834
<b>Operating costs and expenses</b>				
Cost of goods sold	152,492	364,667	1,199,380	1,771,044
Cost of services	117,899	321,819	910,368	941,928
Total cost of goods sold and services	270,391	686,486	2,109,748	2,712,972
<b>Gross profit</b>	409,585	472,460	1,654,015	1,837,862
<b>Other operating costs and expenses</b>				
Product support	20,352	46,107	55,833	67,620
Depreciation and amortization	631,923	551,626	2,023,394	1,625,066
Research and development	2,655,785	2,480,217	8,982,359	5,296,067
Selling, general and administrative	2,869,895	1,420,582	7,547,354	3,943,407
Total other operating costs and expenses	6,177,955	4,498,532	18,608,940	10,932,160
Loss from operations	(5,768,370)	(4,026,072)	(16,954,925)	(9,094,298)
<b>Other income/(expense)</b>				
Interest income	133,689	11,342	172,304	43,086
Interest expense	(4,117)	0	(17,379)	0
Financing costs	(31,907)	(32,492)	(95,720)	(97,476)
Research and development tax incentive income	640,646	1,078,895	2,623,260	2,339,180
Exchange gain/(loss)	(39,782)	58,281	(81,372)	306,360
Other income	44,264	35,182	149,316	418,171
Total other income	742,793	1,151,208	2,750,409	3,009,321
<b>Net loss before tax</b>	(5,025,577)	(2,874,864)	(14,204,516)	(6,084,977)
Income tax benefit/(expense)	0	0	0	0
<b>Net loss</b>	(5,025,577)	(2,874,864)	(14,204,516)	(6,084,977)
<b>Loss per share</b>				
Net loss per share - basic and diluted	(0.02)	(0.02)	(0.07)	(0.03)
Average weighted number of shares - basic and diluted	211,844,435	177,773,779	194,303,678	177,681,443
<b>Other comprehensive loss, net of tax:</b>				
Foreign currency translation reserve	(159,774)	(2,401)	(212,189)	(28,870)
Other comprehensive loss	(159,774)	(2,401)	(212,189)	(28,870)
Comprehensive loss	(5,185,351)	(2,877,265)	(14,416,705)	(6,113,847)

See accompanying Notes to Consolidated Condensed Financial Statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Changes in Stockholders' Equity and Comprehensive Income/(Loss) (Unaudited)

Three Months Ended September 30, 2022

	Ordinary shares		Additional Paid-in Capital	Accumulated Deficit	Other comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
		A\$				
Balances at July 1, 2022	211,844,435	21,184	118,931,630	(75,003,170)	(375,703)	43,573,941
Net loss	0	0	0	(5,025,577)	0	(5,025,577)
Issuance of common stock at A\$0.77 per share, net of issuance costs	0	0	(36,445)	0	0	(36,445)
Other comprehensive loss	0	0	0	0	(159,774)	(159,774)
Stock-based compensation expense	0	0	69,849	0	0	69,849
<b>Balances at September 30, 2022</b>	<b>211,844,435</b>	<b>21,184</b>	<b>118,965,034</b>	<b>(80,028,747)</b>	<b>(535,477)</b>	<b>38,421,994</b>

Nine Months Ended September 30, 2022

	Ordinary shares		Additional Paid-in Capital	Accumulated Deficit	Other comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
		A\$				
Balances at January 1, 2022	177,828,504	17,783	93,737,565	(65,824,231)	(323,288)	27,607,829
Net loss	0	0	0	(14,204,516)	0	(14,204,516)
Issuance of common stock at A\$0.77 per share, net of issuance costs	33,775,931	3,377	24,757,868	0	0	24,761,245
Other comprehensive income	0	0	0	0	(212,189)	(212,189)
Performance awards and exercise of stock options issued to employees	240,000	24	43,876	0	0	43,900
Stock-based compensation expense	0	0	214,073	0	0	214,073
Capitalized stock-based compensation	0	0	211,652	0	0	211,652
<b>Balances at September 30, 2022</b>	<b>211,844,435</b>	<b>21,184</b>	<b>118,965,034</b>	<b>(80,028,747)</b>	<b>(535,477)</b>	<b>38,421,994</b>

See accompanying Notes to Consolidated Condensed Financial Statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Changes in Stockholders' Equity and Comprehensive Income/(Loss) (Unaudited)

Three Months Ended September 30, 2021

	Ordinary shares		Additional Paid-in Capital	Accumulated Deficit	Other comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
	A\$	A\$				
Balances at July 1, 2021	177,753,504	17,775	93,664,302	(58,527,409)	(319,540)	34,835,128
Net loss	0	0	0	(2,874,864)	0	(2,874,864)
Other comprehensive loss	0	0	0	0	(2,401)	(2,401)
Exercise of stock options issued to employees	45,000	5	1,150	0	0	1,155
Stock-based compensation expense	0	0	27,015	0	0	27,015
<b>Balances at September 30, 2021</b>	<b>177,798,504</b>	<b>17,780</b>	<b>93,692,467</b>	<b>(61,402,273)</b>	<b>(321,941)</b>	<b>31,986,033</b>

Nine Months Ended September 30, 2021

	Ordinary shares		Additional Paid-in Capital	Accumulated Deficit	Other comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
	A\$	A\$				
Balances at January 1, 2021	177,611,854	17,761	93,570,030	(55,317,296)	(293,071)	37,977,424
Net loss	0	0	0	(6,084,977)	0	(6,084,977)
Other comprehensive income	0	0	0	0	(28,870)	(28,870)
Exercise of stock options issued to employees	186,650	19	65,811	0	0	65,830
Stock-based compensation expense	0	0	56,626	0	0	56,626
<b>Balances at September 30, 2021</b>	<b>177,798,504</b>	<b>17,780</b>	<b>93,692,467</b>	<b>(61,402,273)</b>	<b>(321,941)</b>	<b>31,986,033</b>

See accompanying Notes to Consolidated Condensed Financial Statements.

Universal Biosensors, Inc.

Consolidated Condensed Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2022	2021
	A\$	A\$
<b>Cash flows from operating activities:</b>		
Net loss	(14,204,516)	(6,084,977)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,157,021	1,899,692
Stock-based compensation expense	214,073	56,626
Non-cash lease expense	179,724	0
Unrealized foreign exchange gains	(215,312)	(513,215)
Change in assets and liabilities:		
Inventories	(2,016,865)	(163,924)
Accounts receivable	(295,706)	(495,691)
Prepayments and other assets	(3,085,965)	(3,260,522)
Other non-current assets	(52,554)	(88,299)
Contract liabilities	(34,344)	(1,351,218)
Employee entitlements	109,895	132,163
Accounts payable and accrued expenses	3,280,278	456,305
Net cash used in operating activities	<u>(13,964,271)</u>	<u>(9,413,060)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(1,043,480)	(475,850)
Net cash used in investing activities	<u>(1,043,480)</u>	<u>(475,850)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	1,002,404	20,496
Repayment of borrowings	(1,002,404)	0
Proceeds from exercise of stock options issued to employees	43,900	65,811
Proceeds from the issuance of common stock, net of issuance costs	24,972,897	0
Repayment of finance lease liability	(4,205)	0
Net cash provided by financing activities	<u>25,012,592</u>	<u>86,307</u>
Net increase/(decrease) in cash, cash equivalents and restricted cash	10,004,841	(9,802,603)
Cash, cash equivalents and restricted cash at beginning of period	18,099,219	28,055,120
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	247,083	446,853
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u><u>28,351,143</u></u>	<u><u>18,699,370</u></u>

See accompanying Notes to Consolidated Condensed Financial Statements.

Notes to Consolidated Condensed Financial Statements (Unaudited)

1. Our Business

We are a specialist biosensors company focused on commercializing a range of biosensors in oenology (wine industry), human health including oncology, coagulation, COVID-19, women's health and fertility, non-human and environmental testing using our patented platform technology and hand-held point of use devices.

Key developments during the first nine months of 2022 include:

- A\$26 million raised pursuant to a A\$20 million fully underwritten rights issue and a A\$6 million placement, both at A\$0.77;
- Average selling prices for strip sales increased 82% and 11% for Sentia and Xprecia Stride respectively for the nine months ended September 30, 2022 and the comparative period as UBI's sales mix continues to trend towards a greater proportion of direct and non-Siemens sales;
- Overall sales of Sentia for the nine months ended September 30, 2022 were in line with the same period in 2021;
- Our first Sentia sales order placed in the United Kingdom;
- A 37% increase in non-Siemens Xprecia Stride distributor sales between the nine months ended September 30, 2022 and the comparative period;
- Xprecia Prime received regulatory approval to sell in 32 countries in Europe;
- 337 patients have been enrolled in the Xprecia Prime clinical trial in the USA (360 patients required in total);
- UBI established an Ecommerce website for the sale of our suite of Sentia products in the USA;
- UBI appointed a Global Head of Sales & Marketing who will lead the Sentia, Xprecia, Petrackr and HRL sales and marketing teams and appointed a Business Development Manager for Sentia Europe;
- The finalization of Sentia's Glucose product;
- Ongoing development of Sentia wine testing products;
- The establishment of a distribution centre in the USA to support the global expansion of the Company's wine testing product sales. This is in addition to the distribution centres we have in Australia and Europe;
- The continuing successful development and use of aptamer sensing technology on our hand-held platform device;
- The progression of an Investigational Clinical Study (300 patient/+) for our Tn Antigen biosensor used for the detection, staging and monitoring of cancer;
- The continued development of our blood glucose monitoring product for dogs and cats with diabetes;
- The appointment of a Business Development Director for our Petrackr Blood Glucose Monitor in the USA;
- The company invested A\$8.98 million in the development of new products, of which \$6.52 million relates to the following non-recurring investment:
  - o A\$3.71 million was invested into the development of the Petrackr blood glucose product;
  - o A\$1.24 million was invested into the development of Xprecia Prime including clinical trial costs;
  - o A\$0.86 million was invested in the development of Sentia malic acid, glucose, fructose, titratable acidity and acetic acid test strips; and
  - o A\$0.71 million was invested in the development of our Tn Antigen oncology product.
- The investment into our manufacturing scale-up project which will add an approximate annual 35 million strip capacity to our Melbourne-based production facility; and
- Investments in sales and marketing included A\$2.1 million (A\$0.6 million in the nine months ended September 30, 2021) to support Sentia and Xprecia Prime sales.

2. Summary of Significant Accounting Policies

*Basis of Presentation*

The consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP" or "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 information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the consolidated condensed financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. Operating results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. These consolidated condensed financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K" or "Annual Report") filed with the U.S. Securities and Exchange Commission (the "SEC") on February 24, 2022. The year-end consolidated condensed balance sheets data as at December 31, 2021 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

## Universal Biosensors, Inc.

### Notes to Consolidated Condensed Financial Statements (Unaudited)

#### ***Principles of Consolidation***

The consolidated condensed financial statements include the financial statements of the Company and its wholly owned subsidiaries, UBS, UBS LLC, HRL and UBS BV. All intercompany balances and transactions have been eliminated on consolidation.

#### ***Use of Estimates***

The preparation of the consolidated condensed 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 condensed financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include deferred income taxes, research and development tax incentive income and stock-based compensation expenses. Actual results could differ from those estimates.

#### ***Recent Accounting Pronouncements***

The Company assesses the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board on the Company's financial statements as well as material updates to previous assessments, if any, from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There were no new material accounting standards issued in the fiscal second quarter of 2022 that impacted the Company.

#### ***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. Diluted net loss per share is calculated by adjusting the basic net loss per share by assuming all dilutive potential ordinary shares are converted.

#### ***Foreign Currency***

##### *Functional and Reporting Currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of UBI and UBS is "A\$" for all years presented. The functional currencies of UBS LLC, HRL and UBS BV are US\$, CAD\$ and €, respectively, for all years presented.

The consolidated condensed financial statements are presented using a reporting currency of A\$.

##### *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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated condensed statements of comprehensive income/(loss).

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 item reported 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.

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

## **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).

#### ***Concentration of Credit Risk and Other Risks and Uncertainties***

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

#### ***Cash, Cash Equivalents and Restricted Cash***

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.

The Company maintains cash and restricted cash, which includes performance guarantee issued in favor of a customer, tenant security deposits and credit card security deposits.

#### ***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. Costs of purchased inventory are determined after deducting rebates and discounts. The Company recognizes inventory on the consolidated condensed balance sheets when they have concluded that the substantial risks and rewards of ownership, as well as the control of the asset, have been transferred.

#### ***Receivables***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for credit losses 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 expense to adjust the allowance for credit losses, if any, is recorded within selling, general and administrative expenses in the consolidated condensed statements of comprehensive income/(loss). Account balances are charged against the allowance when it is probable the receivable will not be recovered.

#### ***Prepayments***

Prepaid expenses represent expenditures that have not yet been recorded by the Company as an expense but have been paid for in advance. The Company's prepayments are primarily represented by insurance premiums paid annually in advance.

#### ***Other Current Assets***

The Company's other current assets is primarily represented by the estimated receivable in relation to the research and development tax incentive income.

**Universal Biosensors, Inc.**

**Notes to Consolidated Condensed Financial Statements (Unaudited)**

***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 three to ten 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 that do not extend the life of the asset are charged to operations as incurred and include normal services and do not include items of a capital nature.

***Impairment of Long-Lived Assets***

The Company reviews its capital assets 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 is 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.

***Intangible Assets***

The intangible assets, having finite useful lives, are amortized over their estimated useful lives. Finite life intangible assets are amortized over the shorter of their contractual or useful economic lives. The intangible assets comprise of distribution rights and are amortized on a straight-line basis over ten years.

***Impairment of Intangible Assets***

Intangible assets with an indefinite life are tested for impairment at least annually and when there is an indication of impairment. Refer to the 'Impairment of Long-Lived Assets' note for details of the Group's impairment review process.

***Australian Goods and Services Tax, Canadian Harmonized Sales Tax, US Sales Tax and European Value Added Tax, collectively "Sales Tax"***

Revenues, expenses and assets are recognized net of the amount of associated Sales Tax, unless the Sales Tax 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 Sales Tax receivable or payable. The net amount of Sales Tax recoverable from, or payable to, the taxation authority is included with other current assets or accrued expenses in the consolidated condensed balance sheets dependent on whether the balance owed to the taxation authorities is in a net receivable or payable position.

***Leases***

At contract inception, the Company determines if the new contractual arrangement is a lease or contains a leasing arrangement. If a contract contains a lease, the Company evaluates whether it should be classified as an operating or a finance lease. Upon modification of the contract, the Company will reassess to determine if a contract is or contains a leasing arrangement.

The Company records lease liabilities based on the future estimated cash payments discounted over the lease term, defined as the non-cancellable time period of the lease, together with all the following:

- periods covered by an option to extend the lease if the Company is reasonably certain to exercise the extension option; and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise the termination option.

Leases may also include options to terminate the arrangement or options to purchase the underlying lease property. The Company does not separate lease and non-lease components of contracts. Lease components provide the Company with the right to use an identified asset, which consist of the Company's real estate properties and office equipment. Non-lease components consist primarily of maintenance services.

As an implicit discount rate is not readily determinable in the Company's lease agreements, the Company uses its estimated secured incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. For certain leases with original terms of twelve months or less, the Company recognizes lease expense as incurred and does not recognize any lease liabilities. Short-term and long-term portions of operating and finance lease liabilities are classified as lease liabilities in the Company's consolidated condensed balance sheets.

## Universal Biosensors, Inc.

### Notes to Consolidated Condensed Financial Statements (Unaudited)

A right-of-use (“ROU”) asset is measured as the amount of the lease liability with adjustments, if applicable, for lease incentives, initial direct costs incurred by the Company and lease prepayments made prior to or at lease commencement. ROU assets are classified as operating or finance lease right-of-use assets, net of accumulated amortization, on the Company’s consolidated condensed balance sheets. The Company evaluates the carrying value of ROU assets if there are indicators of potential impairment and performs the analysis concurrent with the review of the recoverability of the related asset group. If the carrying value of the asset group is determined to not be fully recoverable and is in excess of its estimated fair value, the Company will record an impairment loss in its consolidated condensed statements of income and comprehensive income/(loss).

Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Company’s lease liability calculation. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments are incurred.

#### 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.

#### Revenue Recognition

The Group recognizes revenue predominantly from the sale of coagulation and wine testing devices (which comprises analyzer’s and testing strips) and the provision of coagulation testing services based on the provisions of ASC 606 Revenue from Contracts with Customers. In accordance with this provision, to determine whether to recognize revenue, the Group follows a five-step process:

- a) Identifying the contract with a customer;
- b) Identifying the performance obligations within the customer contract;
- c) Determining the transaction price;
- d) Allocating the transaction price to the performance obligation; and
- e) Recognizing revenue when/as performance obligations are satisfied.

#### Nature of goods and services

The following is a description of products and services from which the Company generates its revenue.

<i>Products and services</i>	<i>Nature, timing of satisfaction of performance obligations and significant payment terms</i>
Coagulation testing products	<p>Our point-of-care coagulation testing products use electrochemical cell technology to measure Prothrombin Time (PT/INR), a test used to monitor the effect of the anticoagulant therapy warfarin.</p> <p>The performance obligation for the sale of these products is satisfied at a point-in-time when the Company transfers control of the products to its customer. The point of transfer of control of the products is dictated by individual terms contained within a customer agreement, as are the payment terms. The transaction price is fixed.</p>
Laboratory testing services	<p>HRL provides non-diagnostic laboratory services and performs these services on behalf of customers.</p> <p>The performance obligation for the services is satisfied when the testing has been finalized and results have been reported to the customer. In some cases, the performance obligations will be satisfied as predetermined milestones have been achieved by the Company.</p>
Wine testing products	<p>Our Sentia wine analyzer is used to measure free SO<sub>2</sub>, Malic Acid and Glucose levels in wine.</p> <p>The performance obligation for the sale of this product is satisfied at a point-in-time when the Company transfers control of the products to its customer. The point of transfer of control of the products is dictated by the individual terms contained within a customer agreement, as are the individual payment terms. The transaction price is fixed.</p>

See Note 10 to the consolidated condensed financial statements for a disaggregation of revenue.

#### Interest Income

Interest income is recognized as it accrues, taking into account the effective yield and consists of interest earned on cash, cash equivalents and restricted cash in interest-bearing accounts.

## **Universal Biosensors, Inc.**

### **Notes to Consolidated Condensed Financial Statements (Unaudited)**

#### *Research and Development Tax Incentive Income*

Research and development tax incentive income is recognized when there is reasonable assurance that the income will be received, the relevant expenditure has been incurred and the consideration can be reliably measured.

The research and development tax incentive is one of the key elements of the Australian Government's support for Australia's innovation system and is supported by legislative law primarily in the form of the Australian Income Tax Assessment Act 1997 as long as eligibility criteria are met. Subject to meeting a number of conditions, an entity involved in eligible R&D activities may claim research and development tax incentive income as follows:

- (1) as a 43.5% refundable tax offset if aggregate turnover (which generally means an entity's total income that it derives in the ordinary course of carrying on a business, subject to certain exclusions) of the entity is less than A\$20,000,000, or
- (2) as a 38.5% non-refundable tax offset if aggregate turnover of the entity is more than A\$20,000,000.

In accordance with SEC Regulation S-X Article 5-03, the Company's research and development tax incentive income has been recognized as non-operating income as it is not indicative of the core operating activities or revenue producing goals of the Company.

Management has assessed the Company's R&D activities and expenditures to determine which activities and expenditures are likely to be eligible under the tax incentive regime described above. At each period end management estimates the refundable tax offset available to the Company based on available information at the time. This estimate is also reviewed by external tax advisors on an annual basis.

The Company has recorded research and development tax incentive income of A\$640,646 and A\$2,623,260 for the three and nine months ended September 30, 2022. As at September 30, 2022 there is reasonable assurance that the aggregate turnover of the Company for the year ended December 31, 2022 will be less than A\$20,000,000.

#### *Federal and State Government Subsidies*

In response to the COVID-19 pandemic, governments in the countries in which we operate implemented government assistance measures to assist in mitigating some of the impact of the pandemic on our results and liquidity. To the extent appropriate, we applied for such government grants in Australia and Canada and recognize the grants at their fair value as other income when there is reasonable assurance that we have complied with all conditions attached to them.

#### *Research and Development Expenditure*

R&D expenses consist of costs incurred to further the Company's research and product 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. R&D costs are expensed as incurred as they fall in the scope of ASC 730 'Research and Development'. Of the A\$8.98 million total R&D, \$6.52 million is non-recurring and is a one time investment in the veterinarian blood glucose product, Xprecia Prime (including clinical and development trials), Tn Antigen biosensor and Sentia products.

#### *Clinical Trial Expenses*

Clinical trial costs are a component of R&D 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.

#### *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 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)

#### Employee Benefit Costs

The Company contributes a portion of each employee's salary to standard defined contribution superannuation funds on behalf of all eligible UBS employees in line with legislative requirements. In line with legislative updates, the contribution rate increased from 9.50% to 10.0% for the period commenced July 1, 2021, and increased to 10.5% on July 1, 2022. Superannuation is an Australian compulsory savings program plan for retirement 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 have reached the statutory retirement age. Whilst the Company has a third-party default superannuation fund, it permits UBS employees to choose an approved and registered superannuation fund into which the contributions are paid. Contributions are charged to the consolidated condensed statements of comprehensive income/(loss) as the expense is incurred.

#### Registered Retirement Savings Plan and Deferred Sharing Profit Plan

The Company provides eligible HRL employees a retirement plan. The retirement plan includes a Registered Retirement Savings Plan ("RRSP") and Deferred Profit Sharing Plan ("DPSP"). The RRSP is voluntary and the employee contributions are matched by the Company up to a maximum of 5% based on their continuous years of service and placed into the RRSP. The Company contributes 1% to 2% of the employee's base earnings towards the DPSP. The DPSP contributions are vested immediately.

#### Benefit Plan

The Company provides eligible HRL employees a Benefit Plan. In general, the Benefit Plan includes extended health care, dental care, basic life insurance, basic accidental death and dismemberment and disability insurance.

#### 401k Plan

The Company acts as a plan sponsor for a 401K plan for eligible UBS LLC employees. A 401K plan is a US-based defined-contribution pension account into which the employees can elect to have a percentage of their salary deducted and contributed to the plan. Their contributions are matched by the Company up to a maximum of 10% of their salary.

#### Income Taxes

We are subject to income taxes in Australia, Canada, the Netherlands and the United States. 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.

Pursuant to the U.S. tax reform rules, UBI is subject to regulations addressing Global Intangible Low-Taxed Income ("GILTI"). The GILTI rules are provisions of the U.S. tax code enacted as a part of tax reform legislation in the U.S. passed in December 2017. Mechanically, the GILTI rule functions as a global minimum tax for all U.S. shareholders of controlled foreign corporations ("CFCs") and applies broadly to certain income generated by a CFC. The Company can make an accounting policy election to either: (1) treat GILTI as a period cost if and when incurred; or (2) recognize deferred taxes for basis differences that are expected to reverse as GILTI in future years. The Company has elected to treat GILTI as a period cost.

### 3. Cash, cash equivalents and restricted cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated condensed balance sheets that sum to the total of the same such amounts shown in the consolidated condensed statements of cash flows.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Cash and cash equivalents	26,933,003	15,318,201
Restricted cash – current assets	1,098,140	1,968,814
Restricted cash – non-current assets	320,000	812,204
	<u>28,351,143</u>	<u>18,099,219</u>

## Universal Biosensors, Inc.

### Notes to Consolidated Condensed Financial Statements (Unaudited)

Restricted cash maintained by the Company in the form of term deposits is as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Performance guarantee (a) - current assets	1,098,140	1,968,814
Collateral for facilities (b) - non-current assets	320,000	320,000
Performance guarantee (a) - non-current assets	0	492,204
	<u>1,418,140</u>	<u>2,781,018</u>

(a) Performance guarantee represents letter of credit issued in favour of Siemens pursuant to the 2019 Siemens Agreements. The performance guarantee was initially issued for US\$5,000,000 and the same reduces in equal quarterly amounts over the 42 months with effect from September 18, 2019. At this point, any funds held under this arrangement will no longer be restricted cash.

(b) Collateral for facilities represents bank guarantee of A\$250,000 for commercial lease of UBS' premises and security deposit on Company's credit cards of A\$70,000.

Interest earned on the restricted cash for the three months ended September 30, 2022 and 2021 was A\$9,249 and A\$966 respectively and A\$16,781 and A\$8,248 for the nine months ended September 30, 2022 and 2021, respectively.

#### 4. Inventories

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Raw materials	1,319,735	1,207,077
Work in progress	685,343	410,731
Finished goods	2,155,291	525,696
	<u>4,160,369</u>	<u>2,143,504</u>

#### 5. Receivables

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Accounts receivable	797,186	476,164
Allowance for credit losses	0	0
	<u>797,186</u>	<u>476,164</u>

#### 6. Leases

The Company's lease portfolio consists primarily of operating leases for office space and equipment with contractual terms expiring from December 2022 to February 2032. Lease contracts may include one or more renewal options that allow the Company to extend the lease. The exercise of lease options is generally at the discretion of the Company. None of the Company's leases contain residual value guarantees, substantial restrictions, or covenants. The Company's leases are substantially within Australia and Canada.

##### Operating Leases

On January 1, 2021, the lease for 1 Corporate Avenue was terminated and a new lease entered into simultaneously. The lease expires on December 31, 2025 with an option to renew the lease for two further terms of five years each. The renewal option periods have not been included in the lease term as the Company is not reasonably certain that they will be exercised.

**Universal Biosensors, Inc.**

**Notes to Consolidated Condensed Financial Statements (Unaudited)**

On June 28, 2021, HRL entered into a premises lease, which commenced in January 2022, with a ten-year contractual period. The lease does not include an option to renew the lease for a further term.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Operating lease right-of-use assets:		
Non-current	4,684,541	2,050,336
Operating lease liabilities:		
Current	748,068	500,284
Non-current	4,215,960	1,690,716
Weighted average remaining lease terms (in years)	7.1	4.0
Weighted average discount rate	4.8%	5.0%

The components of lease income/expense were as follows:

	<b>Nine Months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>A\$</b>	<b>A\$</b>
Fixed payment operating lease expense	725,632	539,769
Short-term lease expense	7,432	0
Sub-lease income	103,744	127,837

The sub-lease income is deemed an operating lease.

The components of the fixed payment operating and short-term lease expense as classified in the consolidated condensed statements of comprehensive income/(loss) are as follows:

	<b>Nine Months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>A\$</b>	<b>A\$</b>
Cost of goods sold	107,140	83,887
Cost of services	140,929	77,476
Research and development	222,982	230,050
Selling, general and administrative	262,013	148,356
	733,064	539,769

Supplemental cash flow information related to the Company's leases was as follows:

	<b>Nine Months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>A\$</b>	<b>A\$</b>
Operating cash outflows from operating leases	594,198	491,963

Supplemental noncash information related to the Company's leases was as follows:

	<b>Nine Months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>A\$</b>	<b>A\$</b>
Right of use assets obtained in exchange for lease liabilities	3,035,194	0
Right of use asset modifications	0	(1,392,953)

**Universal Biosensors, Inc.**

**Notes to Consolidated Condensed Financial Statements (Unaudited)**

Future lease payments are as follows:

	<b>As at September 30, 2022</b>
	<b>A\$</b>
1 year	969,367
2 years	991,183
3 years	1,014,997
4 years	559,950
5 years	413,127
Thereafter	1,938,479
Total future lease payments	5,887,103
Less: imputed interest	(923,075)
Total operating lease liabilities	4,964,028
Current	748,068
Non-current	4,215,960

As of September 30, 2022, the Company has not entered into any operating or finance lease agreements that have not yet commenced.

**7. Contingent Consideration**

Pursuant to the Siemens Acquisition and the agreement dated September 2019, the Company has agreed to pay US\$1,500,000 to Siemens within five days of Siemens achieving a pre-defined milestone. The Company has the discretion of advising Siemens when the milestone is to be achieved but from the date notification is sent by the Company, Siemens has 90 days to fulfill this milestone. Notification has not yet been issued to Siemens. Once the milestone is achieved, it will enable the Company to use Siemens proprietary reagent which will allow the Company to access markets in certain jurisdictions.

**8. Other Liabilities**

Other liabilities represents a marketing support payment due to one of our partners and is payable in US dollars. The balance will be paid once supporting documentation has been provided to the Company.

**9. Borrowings**

The unsecured loan is a government guaranteed loan called Canada Emergency Business Account (CEBA) of CAD\$60,000 to help eligible businesses with operating costs. CAD\$40,000 was received by the Company in 2020 and CAD\$20,000 in 2021. This is among the business support measures introduced in the Canadian Federal Government's COVID-19 Economic Response Plan, with the following terms:

- the loan is interest-free and no principal repayment is required before December 31, 2023;
- if the Company chooses to repay at least CAD\$40,000 of the loan by December 31, 2023, the remaining balance will be forgiven;
- if the loan is not repaid by the above mentioned date, it will be converted into a 2-year term loan and will be charged an interest rate of 5% per annum. Interest-only payments are required each month; and
- at the end of the 2-year term, the entire balance of the loan is due for repayment by December 31, 2025.

**10. Revenue**

*Disaggregation of Revenue*

In the following table, revenue is disaggregated by major product and service lines and timing of revenue recognition.

	<b>Three Months ended September 30,</b>		<b>Nine Months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>Major product/service lines</b>				
Coagulation testing products	229,019	365,984	2,007,457	2,358,181
Laboratory testing services	235,818	568,525	961,163	1,389,365
Wine testing products	215,139	224,437	795,143	803,288
	<u>679,976</u>	<u>1,158,946</u>	<u>3,763,763</u>	<u>4,550,834</u>
<b>Timing of revenue recognition</b>				
Products and services transferred at a point in time	679,976	1,158,946	3,763,763	4,550,834
	<u>679,976</u>	<u>1,158,946</u>	<u>3,763,763</u>	<u>4,550,834</u>

**Universal Biosensors, Inc.**

**Notes to Consolidated Condensed Financial Statements (Unaudited)**

*Contract Balances*

The following table provides information about receivables and contract liabilities from contracts with customers.

	September 30,	
	2022	2021
	A\$	A\$
Receivables	797,186	588,344
Contract liabilities	29,402	108,012

The Company's contract liabilities represent the Company's obligation to transfer products to customers for which the Company has received consideration from customers, but the transfer has not yet been completed.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Nine Months ended September 30,	
	2022	2021
	A\$	A\$
<b>Contract Liabilities - Current</b>		
Opening balance	38,431	1,628,426
Closing balance	29,402	108,012
Net decrease	(9,029)	(1,520,414)

The Company expects all of the Company's contract liabilities to be realized by December 31, 2022.

**11. Other Income**

Other income is recognized when there is reasonable assurance that the income will be received and the consideration can be reliably measured.

Other income is as follows for the relevant periods:

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
Federal and state government subsidies	0	0	0	153,001
Rental income	33,475	35,182	103,744	127,837
Other income	10,789	0	45,572	137,333
	44,264	35,182	149,316	418,171

Federal and state government subsidies primarily includes the Canadian Emergency Wage Subsidy which represents assistance provided by government authorities as a stimulus during COVID-19.

**12. Total Comprehensive Income/(Loss)**

The Company follows ASC 220 – Comprehensive Income. Comprehensive income/(loss) 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/(loss).

The tax effect allocated to each component of other comprehensive income/(loss) is as follows:

	Before-Tax Amount	Tax (Expense)/ Benefit	Net-of-Tax Amount
	A\$	A\$	A\$
<b>Nine Months Ended September 30, 2022</b>			
Foreign currency translation reserve	(212,189)	0	(212,189)
Other comprehensive loss	(212,189)	0	(212,189)
<b>Nine Months Ended September 30, 2021</b>			
Foreign currency translation reserve	(28,870)	0	(28,870)
Other comprehensive loss	(28,870)	0	(28,870)

Notes to Consolidated Condensed Financial Statements (Unaudited)

13. 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:

Mr. Coleman is a Non-Executive Chairman of the Company and an Executive Chairman and Associate of Viburnum Funds Pty Ltd (“Viburnum”). Viburnum, as an investment manager for its associated funds, holds a beneficial interest and voting power over approximately 26% of UBI’s shares.

On April 20, 2022, the Company announced a fully underwritten non-renounceable rights issue of new CHESSE depositary interests over fully paid ordinary shares in UBI (“New CDIs”) to raise approximately A\$20.00 million (“Entitlement Offer”) at a ratio of 1 New CDI for every 6.85 existing CDIs held at the record date, being April 27, 2022.

In connection with the Entitlement Offer, on April 19, 2022, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Viburnum (the “Underwriter”). Pursuant to the terms of the Underwriting Agreement, the Underwriter agreed to take up its full entitlement under the Entitlement Offer and fully underwrite the Entitlement Offer, which meant that the Underwriter agreed to subscribe for or procure others to subscribe for all securities (if any) not subscribed for by the Company’s eligible securityholders under the Entitlement Offer. Following the close of the Entitlement Offer, 25.9 million New CDIs were issued to Viburnum on May 27, 2022, which raised approximately A\$19.94 million.

The Company also agreed, subject to the approval of the stockholders of the Company, to issue to the Underwriter (or its nominee) unlisted options to purchase up to 3,840,000 ordinary shares, in two tranches, as its underwriting fee (the “Underwriter Options”) in lieu of cash compensation. The Underwriter Options vested upon issue on May 27, 2022 and have an expiry date of 3 years from their date of issue. The exercise price in respect of half of the Underwriter Options is an amount equal to 120% of the Offer Price, or A\$0.92. The second half of the Underwriter Options have an exercise price equal to 130% of the Offer Price, or A\$1.00. The stockholders of the Company approved the issuance of the Underwriter Options at a special meeting of stockholders held on May 23, 2022.

In accordance with ASC 718, the fair value of the Underwriter Options granted were estimated at the date of the grant using the Trinomial Lattice mode. The key assumptions for the grant were:

	Tranche 1	Tranche 2
Exercise Price (\$A)	0.92	1.00
Share Price at Grant Date (A\$)	0.44	0.44
Volatility	64%	64%
Maximum Life (years)	3.00	3.00
Risk-Free Interest rate	2.78%	2.78%
Fair Value (A\$)	0.06	0.05

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

*Share Price and Exercise Price at Valuation Date*

The value of the options granted 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.

*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.

On May 27, 2022, Viburnum acquired from a member of management, unlisted options to purchase up to 1,000,000 ordinary shares. The options fully vested on March 25, 2020, have an exercise price of \$A0.20 and have an expiry date of March 24, 2024.

There were no material related party transactions or balances as at September 30, 2022 other than as disclosed above.

**14. 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 September 30, 2022 and December 31, 2021. Purchase commitments are entered into with various parties to purchase products and services such as equipment, technology and consumables used in R&D and commercial activities. Purchase commitments contracted for as at September 30, 2022 and December 31, 2021 were A\$6,569,710 and A\$7,679,671 respectively.

Refer to note 7 for details of the Company's Contingent Consideration.

**15. Segment Information**

We operate in one segment. We are a specialist biosensors Company focused on the development, manufacture and commercialization of a range of point of use devices for measuring different analytes across different industries.

We operate predominantly in one geographical area, being Australia.

The Company's material long-lived assets are predominantly based in Australia.

## 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 most recent Annual Report on 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, as amended (the "Exchange Act") 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 "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "future", "illustration", "intends", "may", "plans", "predicts", "will", "would" 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. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

### Results of Operations

#### Analysis of Consolidated Revenue

Our total revenue decreased by 17% during the nine months ended September 30, 2022, compared to the same period in the previous financial year.

#### Revenue from Products

The financial results of the coagulation and wine testing products we sold during the respective periods are as follows:

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
Revenue from products	444,158	590,421	2,802,600	3,161,469
Cost of goods sold	(152,492)	(364,667)	(1,199,380)	(1,771,044)
Gross profit	291,666	225,754	1,603,220	1,390,425

Our wine testing product sales remained consistent during the nine months ended September 30, 2022, compared to the same period in the previous financial year (within 1% variation). The mix of Sentia sales has moved away from large stocking orders to distributors towards more direct sales to wineries and repeat orders for the consumable test strips.

With regards to our coagulation testing products, we have successfully acquired over 50% of the distributors from the old Siemens distribution network which are now buying directly from us. The decline in coagulation testing product revenue during the three and nine months ended September 30, 2022, compared to the same periods in the previous financial year has largely been the result of the time it takes to transition customers to our network and a reduction in sales to Siemens during these periods. Our newly acquired distribution network will also champion the sales of Xpreca Prime, our next generation coagulation testing product.

#### Revenue from Services

The financial results of the laboratory testing services we provided during the respective periods are as follows:

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
Laboratory testing services	235,818	568,525	961,163	1,389,365
Cost of services	(117,899)	(321,819)	(910,368)	(941,928)
Gross profit	117,919	246,706	50,795	447,437

Revenue from laboratory testing declined during the three and nine months ended September 30, 2022, compared to the same periods in the previous financial year due to the timing of completion of a major project for one of HRL's largest customers. To date, 2022 has been a transitional period for HRL as they moved the laboratory into a new location, which involved almost 6 weeks of shutdown. Alongside the move to the new location, HRL has invested and expanded its specialist services into inflammatory disease, cytokines and multiplex immunoassay platform.

#### Adjusted EBITDA

We use Adjusted EBITDA to evaluate our financial performance. Adjusted EBITDA are financial measures that are not presented in accordance with U.S. GAAP. Adjusted EBITDA is net loss before interest, taxes, depreciation, amortization, accretion of asset retirement obligations and stock-based compensation expense. Management believes the presentation of Adjusted EBITDA provides useful information to investors to make informed investment decisions, including our ability to generate earnings sufficient to service our debt and enhances understanding of our financial performance and operational trends. These measures are not in accordance with, or an alternative for, U.S. GAAP. The most comparable U.S. GAAP measure is net loss. Consolidated Adjusted EBITDA should not be considered in isolation or as a substitution for analysis of our results as reported under U.S. GAAP. Additionally, they may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA for the respective periods and a reconciliation of net loss to Adjusted EBITDA is as follows:

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
Net loss	(5,025,577)	(2,874,864)	(14,204,516)	(6,084,977)
Interest income	(133,689)	(11,342)	(172,304)	(43,086)
Interest expense	4,117	0	17,379	0
Depreciation and amortization	631,923	662,717	2,157,021	1,899,692
Accretion expense	31,907	32,492	95,720	97,476
Stock-based compensation expense	69,849	27,015	214,072	56,626
Adjusted EBITDA	(4,421,470)	(2,163,982)	(11,892,628)	(4,074,269)

The decline in Adjusted EBITDA during the three and nine months ended September 30, 2022, compared to the same periods in the previous financial year is primarily a result of increased investment in R&D. The company invested an additional A\$175,568 and A\$3,686,292 in the three and nine month periods ended September 30, 2022 (compared to prior periods). A\$1,238,231 and A\$3,705,815 in the three and nine months respectively, was invested into the development of the veterinarian blood glucose product. Additionally, \$157,400 and \$477,561 was spent on our FDA clinical trial for Xprecia Prime in the three and nine month periods ended September 30, 2022. Our veterinarian blood glucose product and Xprecia Prime are in final development stages. Selling, general and administrative expenditure increased as a result of investment into our sales and marketing activities for our Sentia and Xprecia Prime products as we expand into new markets on a global scale.

#### Product Support

Product support relates to post-market technical support provided by us for the Xprecia Stride and Wine testing devices.

#### Depreciation and Amortization Expenses

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
Depreciation	217,148	250,279	926,145	675,827
Amortization	414,775	412,438	1,230,876	1,223,865
Depreciation and amortization	631,923	662,717	2,157,021	1,899,692

Depreciation of fixed assets is calculated on a straight-line basis over the useful life of property, plant and equipment. Depreciation is allocated to cost of goods sold and R&D based on output. The increase in depreciation during the nine months ended September 30, 2022, compared to the same period in the previous financial year is due to certain plant and equipment being fully written off.

Amortization expense predominantly represents intangible assets amortized over their estimated useful lives. These intangible assets were acquired in September 2019 pursuant to the Siemens Acquisition and are being amortized on a straight-line basis over ten years. Amortization expense also includes the amortization expense calculated on the Company's finance lease liabilities.

#### *Research and Development Expenses*

R&D expenditure principally reflects the effort required in product development of the tests we are developing.

The primary focus of the R&D activities during the three and nine months ended September 30, 2022 were developing the Company's:

- additional tests on our wine testing platform;
- next generation PT-INR Coagulation platform including FDA clinical trial programs;
- Tn Antigen biosensor used for the detection, staging and monitoring of cancer;
- biosensor strip and meter to be used for the detection and monitoring of diabetes in non-humans; and
- aptamer based sensing platform including a COVID-19 test.

R&D expenditure increased during the three and nine months ended September 30, 2022, compared to the same periods in the previous financial year because of the increased development activities noted above.

The timing and cost of any development program is dependent upon a number of factors including achieving technical objectives, which are inherently uncertain and subsequent regulatory approvals. We have project plans in place for all our development programs which we use to plan, manage and assess our projects. As part of this procedure, we also undertake commercial assessments of such projects to optimize outcomes and decision making.

Additionally, R&D expenses are related to the development of new technologies and products based on the electrochemical cell platform.

The Company conducts R&D activities to build an expanding portfolio of product-based revenues and cash flows and increase the value of the Company's core technology assets. Research is focused on demonstrating technical feasibility of new technology applications. Development activity is focused on turning these technology platforms into commercial-ready products and represents the majority of the Company's R&D expenses.

R&D expenses consist of costs associated with research activities, as well as costs associated with our product development efforts, including pilot manufacturing costs. R&D expenses include:

- consultant and employee related expenses, which include consulting fees, salaries and benefits;
- materials and consumables acquired for the research and development activities;
- verification and validation work on the various R&D projects including clinical trials;
- 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.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses consist principally of salaries and related costs, including stock-based compensation expense for certain personnel. Other selling, general and administrative expenses include sales and marketing costs to support our products in the market, shipping and handling costs incurred when fulfilling customer orders, repairs and maintenance, insurance, facility costs not otherwise included in R&D expenses, consultancy fees and professional fees including legal services and maintenance fees incurred for patent applications, audit and accounting services.

General and administrative expenses increased by 102% and 91% during the three and nine months ended September 30, 2022, compared to the same periods in the previous financial year primarily due to an investment in the Company's sales and marketing strategy. The Company's direct sales force in the USA and Europe for our wine and coagulation testing products commenced in the first quarter of 2022.

#### *Interest Income*

Interest income increased during the three and nine months ended September 30, 2022, compared to the same periods in the previous financial year. The increase in interest income is attributable to the higher amount of funds available for investment following the issuance of common stock and higher interest rates.

#### *Financing Costs*

Disclosed in this account is accretion expense which is associated with the Company's asset retirement obligations ("ARO").

### Interest Expense

Interest expense relates to interest being charged on the secured short-term borrowing initiated by the Company for the 2022 financial year and the interest expense on finance lease liabilities.

### Research and Development Tax Incentive Income

As at September 30, 2022 there is reasonable assurance that the aggregate turnover of the Company for the year ending December 31, 2022 will be less than A\$20,000,000 and accordingly an estimated A\$640,646 and A\$2,623,260 has been recorded as research and development tax incentive income for the three and nine months ended September 30, 2022. The increase in the nine months ended September 30, 2022, compared to the same period in the previous financial year is driven by the increase in eligible research and development expenditure incurred. The decrease in the three months ended September 30, 2022 as compared to the same period in 2021 is driven by the nature of the R&D expenditure being incurred. Specifically, some of the Company's R&D activities carried out overseas is not eligible for the R&D tax incentive.

Research and development tax incentive income for the 2021 financial year has not yet been received and as such is recorded in "Other current assets" in the consolidated condensed balance sheet.

### Exchange Gain/(Loss)

Foreign exchange gains and losses arise from the settlement of foreign currency transactions that are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies.

### Other Income

Other income is as follows for the relevant periods:

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	A\$	A\$	A\$	A\$
Federal and state government subsidies	0	0	0	153,001
Rental income	33,475	35,182	103,744	127,837
Other income	10,789	0	45,572	137,333
	44,264	35,182	149,316	418,171

Federal and state government subsidies primarily includes the Canadian Emergency Wage Subsidy which represents assistance provided by government authorities as a stimulus during COVID-19.

### Critical Accounting Estimates and Judgments

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Significant items subject to such estimates and assumptions include deferred income taxes, research and development tax incentive income and stock-based compensation expenses:

#### Deferred Income Taxes

We compute our deferred income taxes based on the statutory tax rates, future forecasts and tax planning opportunities. Judgement is required in determining our future forecasts and evaluating our tax positions.

Our estimates are made based on the best available information at the time we prepare our consolidated condensed financial statements. In making our estimates, we consider the impact of legislative and judicial developments. As these developments evolve, we update our estimates, which, in turn, may result in adjustments to our effective tax rate.

We anticipate realization of a significant portion of our deferred tax assets through the reversal of existing deferred tax liabilities. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

Uncertain tax positions taken or expected to be taken in a tax return are recognized (or derecognized) in the financial statements when it is more likely than not that the position would be sustained on its technical merits upon examination by tax authorities, taking into account available administrative remedies and litigation. Assessment of uncertain tax positions requires significant judgments relating to the amounts, timing and likelihood of resolution.

### Stock-based Compensation Expenses

Probability of attaining vesting conditions and the fair value of the stock-based compensation is highly subjective and requires judgement, and results could change materially if different estimates and assumptions were used. The probability assumptions are critically examined by management each reporting period and reviewed by the board of directors for reasonableness.

### Research and Development Tax Incentive Income

The refundable tax offset is one of the key elements of the Australian Government's support for Australia's innovation system and if eligible, provides the recipient with cash based upon its eligible research and development activities and expenditures. The calculation of the refundable tax offset requires judgement as to what is eligible research and development activity and expenditure and the outcome will change if different assumptions are used.

Note 2, "Summary of Significant Accounting Policies" in Item 1 of this Form 10-Q and Note 1, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2021 Form 10-K describes in further detail the significant accounting policies and methods used in the preparation of the Company's consolidated condensed financial statements. There have been no material changes to the Company's critical accounting policies and estimates since the 2021 Form 10-K. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recognition of revenue and expenses. Actual results may differ from these estimates.

### Financial Condition, Liquidity and Capital Resources

#### Net Cash/ (Debt)

Our net cash/ (debt) position is shown below:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<u>A\$</u>	<u>A\$</u>
Cash and cash equivalents		
Cash and cash equivalents	26,933,003	15,318,201
Total cash and cash equivalents	<u>26,933,003</u>	<u>15,318,201</u>
Debt		
Short-term debt/ loan	0	(64,900)
Long-term debt/loan	(67,355)	0
Total debt	<u>(67,355)</u>	<u>(64,900)</u>
Net cash	<u>26,865,648</u>	<u>15,253,301</u>

Since inception, we have financed our business primarily through the issuance of equity securities, funding from strategic partners, government grants and rebates (including the research and development tax incentive income), cash flows generated from operations and a loan.

The increase in our net cash position is primarily a result of the A\$26 million raised pursuant to a A\$20 million fully underwritten rights issue and a A\$6 million placement, both at A\$0.77, which occurred during May 2022.

We believe we have sufficient cash and cash equivalents to fund our operations for at least the next twelve months from the date of issuance. Liquidity risk is the risk that the Company may encounter difficulty meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The purpose of liquidity management is to ensure that there is sufficient cash to meet all the financial commitments and obligations of the Company as they come due. In managing the Company's capital, management estimates future cash requirements by preparing a budget and a multi-year plan for review and approval by the Board of Directors ("the Board"). The budget is reviewed and updated periodically and establishes the approved activities for the next twelve months and estimates the costs associated with those activities. The multi-year plan estimates future activity along with the potential cash requirements and is based upon management's assessment of current progress along with the expected results from the coming years' activity. Budget to actual variances are prepared and reviewed by management and are presented on a regular basis to the Board.

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 as at September 30, 2022 or for the year ended December 31, 2021.

The Company is continuing to monitor the potential impact of COVID-19, if any, on the Company's business and financial position.

#### *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. For the nine months ended September 30, 2022 and for the year ended December 31, 2021, we did not have any assets or liabilities that utilize Level 3 inputs.

We had no derivatives or outstanding contracts in place through the period ended September 30, 2022 and for the year ended December 31, 2021.

#### *Measures of Liquidity and Capital Resources*

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Cash and cash equivalents	26,933,003	15,318,201
Working capital	27,974,196	15,448,181
Ratio of current assets to current liabilities	3.14	2.64
Shareholders' equity per common share	0.18	0.16

The movement in cash and cash equivalents and working capital (calculated as current assets less current liabilities) during the above periods was primarily the result of the A\$26 million raised pursuant to a A\$20 million fully underwritten rights issue and a A\$6 million placement which occurred in May 2022. This was offset by ongoing investment in our R&D activities and expenditure associated with the general operations of the Company.

We have not identified any collection issues with respect to receivables.

#### Summary of Cash Flows

	<b>Nine Months ended September 30, 2022</b>	<b>Year Ended December 31, 2021</b>
	<b>A\$</b>	<b>A\$</b>
Cash provided by/ (used in):		
Operating activities	(13,964,271)	(9,896,620)
Investing activities	(1,043,480)	(664,584)
Financing activities	25,012,592	95,621
Net increase/ (decrease) in cash, cash equivalents and restricted cash	<u>10,004,841</u>	<u>(10,465,583)</u>

Our net cash used in operating activities for all periods represents receipts offset by payments for our R&D projects including efforts involved in establishing and maintaining our manufacturing operations and selling, general and administrative expenditure. Cash outflows from operating activities primarily represent the ongoing investment in our R&D activities and the general operations of the Company.

Our net cash used in investing activities for all periods is primarily for the purchase of various equipment and for the various continuous improvement programs we are undertaking.

Our net cash increase in financing activities for the nine months ended September 30, 2022 is driven by proceeds received pursuant to the issuance of common stock and from the short-term loan facility the Company entered into to finance its 2022 insurance premium. This increase was offset by transaction costs incurred to facilitate the issuance of common stock and repayments of the Company's short-term loan facility.

#### **Off-Balance Sheet Arrangement**

As of September 30, 2022 and December 31, 2021, we did not have any off-balance sheet arrangements, as such term is defined under Item 303 of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**Segment Operating Performance**

We operate in one segment. We are a specialist biosensors Company focused on the development, manufacture and commercialization of a range of point of use devices for measuring different analytes across different industries.

We operate predominantly in one geographical area, being Australia.

The Company's material long-lived assets are predominantly based in Australia.

**Item 3 Quantitative and Qualitative Disclosures About Market Risk**

As a “smaller reporting company”, we are not required to provide the information called for by this Item.

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures.*

At the end of the period covered by this report, the Company and management 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. John Sharman, Principal Executive Officer and Satesh Balak, Principal Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Sharman 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 September 30, 2022, 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.

**PART II**

**Item 1 Legal Proceedings**

None.

**Item 1A Risk Factors**

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of the 2021 Form 10-K under the heading "Risk Factors," any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price. There have been no material changes to the Company's risk factors since the 2021 Form 10-K.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3 Defaults Upon Senior Securities**

None.

**Item 4 Mine Safety Disclosures**

Not applicable.

**Item 5 Other Information**

None.

**Item 6 Exhibits**

<u>Exhibit No</u>	<u>Description</u>	<u>Location</u>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)</a>	Filed herewith
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)</a>	Filed herewith
32	<a href="#">Section 1350 Certificate</a>	Furnished herewith
101	The following materials from the Universal Biosensors, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Condensed Statements of Comprehensive Income/(Loss), (iii) the Consolidated Condensed Statements of Changes in Stockholders' Equity and Comprehensive Income/(Loss), (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.
104	Cover page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)	

**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)

Date: October 27, 2022

By: /s/ John Sharman  
John Sharman  
Principal Executive Officer

Date: October 27, 2022

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

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

I, John Sharman, 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: October 27, 2022

/s/ John Sharman \_\_\_\_\_

John Sharman  
Principal Executive Officer  
Universal Biosensors, Inc.

**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: October 27, 2022

/s/ Salesh Balak

Salesh Balak  
Principal Financial Officer  
Universal Biosensors, Inc.

**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, 2022, 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 27<sup>th</sup> day of October, 2022.

/s/ John Sharman  
John Sharman  
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.