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Universal Biosensors

UNIVERSAL BIOSENSORS, INC.

CORPORATE GOVERNANCE STATEMENT

Effective as at 7 May 2008

The Company is a United States domiciled company subject to United States reporting requirements and has adopted appropriate corporate governance policies having regard to applicable United States requirements. Given that the Company's securities are quoted on the Australian Securities Exchange (**ASX**), the Company has also had regard to the revised ASX Corporate Governance Principles and Recommendations (second edition) issued by the ASX Corporate Governance Council.

The Company expects that its policies will require amendment over time particularly to take into account applicable requirements of the Sarbanes-Oxley Act which will in the future apply to the Company.

The following section is structured following the primary headings used in the revised ASX Corporate Governance Principles and Recommendations (second edition).

Lay solid foundations for management and oversight

The Board is responsible for the overall governance of the Company and its wholly owned subsidiary, Universal Biosensors Pty Ltd (collectively referred to as the "Group"). The Board's responsibilities include:

- overall responsibility for overseeing the Group, including control and accountability systems;
- reviewing and providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors;
- monitoring senior management's performance and implementation of strategy and plans;
- appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Financial Officer and Company Secretary and where appropriate, ratifying the appointment and the removal of senior executives;
- approving and monitoring financial and other reporting; and
- ensuring Board committees are appropriately constituted and performing their functions.

The Chief Executive Officer and senior management responsibilities include:

- developing corporate strategy, performance objectives, business plans and budgets for review by the Board;
- developing and implementing appropriate policies and procedures for the management of the Group; and
- the day to day management of the Group's affairs and the implementation of corporate strategies and policy initiatives.

The responsibilities of the Board will vary as the Group develops. The Board will regularly review the respective roles and the allocation of responsibilities between the Board and management, and will update or affirm the allocation of roles and responsibilities described above.

The performance of senior executive is reviewed regularly against specific and measurable qualitative and quantitative performance criteria. The Company undertook a review of senior executives during January 2008 with respect to the financial year ended December 31, 2007 in accordance with the Company's review processes.

Structure the Board to add value

The Company is a United States domiciled company subject to United States reporting requirements. The Company is not listed on a United States exchange and, therefore, is not subject to the corporate governance requirements of any such exchange. However, for purposes of determining whether our directors are independent under applicable rules and regulations promulgated by the Securities and Exchange Commission, we have chosen to use the definition of "independence" established by the Nasdaq Stock Market under its Marketplace Rule 4200(a)(15), as permitted by such rules and regulations. The Company has also had regard to the revised ASX Corporate Governance Principles and Recommendations (second edition) issued by the ASX Corporate Governance Council.

The Company has determined that Mr. Jane and Dr. Wilson are independent as defined under the Marketplace Rules of the Nasdaq Stock Market. The Company has also determined that Mr. Morrisson is not independent as defined under the Marketplace Rules of the Nasdaq Stock Market because he is Chief Executive Officer of the Company. Finally, the Company has determined that Messrs. Hanley, Denver and Kiefel and Dr. Adam are not independent as defined under the Marketplace Rules of the Nasdaq Stock Market solely as a result of the following transaction. The underwriter to the December 2007 renounceable rights issue, Wilson HTM Corporate Finance Ltd, paid US\$396,720 for sub-underwriting part of the renounceable rights issue to PFM Cornerstone Ltd, a corporation of which Messrs. Hanley, Denver and Kiefel and Dr. Adam each holds issued shares representing 2.6%, 2.5%, 2.5% and 2.3% interests (excluding granted options), respectively, and of which each is a director and an executive officer. These fees represented more than 5% of the revenues of PFM Cornerstone Ltd for fiscal year 2007. Because of this transaction involving PFM Cornerstone Ltd and the positions held by these directors with PFM Cornerstone Ltd, the Board has determined that Messrs. Hanley, Denver, Kiefel and Dr. Adam are not independent.

In reaching the conclusions set out above, the Company considered all transactions involving the directors with respect to the Company during the financial year ended December 31, 2007 and directors' interests in the Company's shares as set out in the Company's Proxy Statement. The Company does not consider these transactions or the substantial interests in the Company's shares held by certain directors would interfere with the ability of those directors to exercise independent judgment in carrying out their responsibilities as directors of the Company.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The determination of materiality by the Company includes both quantitative and qualitative assessments.

The revised ASX Corporate Governance Principles and Recommendations include guidelines for determination of whether a director should be considered independent for purpose of the ASX Listing Rules. Under these guidelines the holding of a substantial interest in the Company's shares is stated as a matter which may affect independence. Each of Messrs. Hanley, Denver, Jane, Kiefel and Dr. Adam hold substantial interests in the Company's securities and therefore may not be considered independent for the purposes of the ASX Corporate Governance Principles and Recommendations. Dr

Elizabeth Wilson would be regarded as an independent director for the purposes of the ASX Corporate Governance Principles and Recommendations.

| <i>Name</i> | <i>Position</i> | <i>Experience</i> | <i>Appointment Date</i> |
|-----------------------------|-------------------------|--|-------------------------|
| Mr. Mark Morrisson | Chief Executive Officer | Extensive experience in the <i>in vitro</i> diagnostic and life science industries | August 9, 2005 |
| Mr. Andrew Denver | Non-Executive Chairman | Extensive experience in the commercialisation of new technology | December 3, 2002 |
| Dr. Colin Adam | Non-Executive Director | Extensive management experience gained in the technology sector | December 6, 2006 |
| Mr. Denis Hanley | Non-Executive Director | Extensive experience in building Australian corporations to become successful global entities | September 14, 2001 |
| Mr. Charles Kiefel | Non-Executive Director | Extensive experience in investment banking and finance | December 6, 2006 |
| Mr. Andrew Jane | Non-Executive Director | Extensive experience in the technology sector gained through management positions and as a venture capitalist | August 15, 2006 |
| Dr. Elizabeth (Jane) Wilson | Non-Executive Director | A professional company director with a background in medicine, banking and finance and extensive experience in the commercialisation of research | December 6, 2006 |

The skills, experience and expertise held by each director in office at the date of the annual report and details of their terms of appointment are included on the Company's website and in the Company's Annual Report for the financial year ended December 31, 2007 and Proxy Statement.

The structure of the Board does not comply with the ASX recommendation that there be a majority of independent directors and that the chairman be an independent director. The Company considers that its Board membership is appropriate given the Company's current stage of development. The Board will continuously review its performance and mix of skills to ensure that they are appropriate to allow the Board to maximise its effectiveness and its contribution to the Company. At or around the end of each financial year, the Remuneration and Nomination Committee will conduct performance evaluations that will involve an assessment of each Board member's performance. The Board has procedures in place whereby the directors may seek independent professional advice at the Company's expense.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee which is governed by a charter which is available on the Company's website. For the year ended December 31, 2007, the Remuneration and Nomination Committee comprised of Mr. Jane (chairman), Dr. Adam and Dr. Wilson. In January 2008, Dr. Wilson was replaced by Mr. Denver on the committee. The Remuneration and Nomination Committee met on three occasions during the financial year ended December 31, 2007.

The Company considers that the Remuneration and Nomination Committee comprises of a majority of independent directors. However, using the independence guidance set out in the revised ASX Corporate Governance Principles and Recommendations, the composition of the Remuneration and Nomination Committee may not be seen to comply with the ASX recommendation that there be a

majority of independent directors. The Company considers that its Remuneration and Nomination Committee membership is appropriate given the Company's current stage of development. The Board will continuously review its performance and mix of skills to ensure that they are appropriate to allow the Remuneration and Nomination Committee to maximise its effectiveness and its contribution to the Company.

Promote ethical and responsible decision making

The Company has adopted a Code of Ethics for its senior executive officers responsible for financial reporting as well as a Code of Conduct applicable to directors, senior managers and other employees. The codes are available on the Company's website. The Company has also adopted a Securities Trading Policy which is available on the Company's website.

Safeguard integrity in financial reporting

The Board has an Audit and Compliance Committee which is governed by an Audit Committee Charter which is available on the Company's website. The primary objective of the Audit and Compliance Committee is to assist the Board to fulfil its responsibilities relating to accounting and reporting practices of the Company, including, the Company's annual and half-year financial statements and all other financial information released by the Company.

For the financial year ended December 31, 2007, the Audit and Compliance Committee comprised of Dr. Wilson (chairman), Mr. Denver, Mr. Hanley and Mr. Kiefel. In January 2008, Mr. Denver stepped down from the Audit and Compliance Committee. The Audit and Compliance Committee met on nine occasions during the financial year ended December 31, 2007.

The composition of the Audit and Compliance Committee does not comply with the ASX recommendation that it be composed only of independent directors. The Company considers that its Audit and Compliance Committee membership is appropriate given the Company's current stage of development. The Audit and Compliance Committee requires that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results are in accordance with relevant accounting standards.

The Audit and Compliance Committee is responsible for recommending the appointment and reviewing the performance of the external auditors of the Company. Subject to requirements of Delaware law and Sarbanes-Oxley Act, the lead audit partner will be required to rotate off the audit duties for the Company after their involvement for a maximum of five years.

Make timely and balanced disclosure

The Company has adopted a Continuous Disclosure and Shareholder Communication Policy which describes the processes implemented by the Company to assist the Company in complying with its continuous disclosure obligations, which is available on the Company's website. The Board has established a disclosure committee to assist the Company in complying with its disclosure obligations. The disclosure committee currently comprises of the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary.

Respect the Rights of Shareholders

The Company's Continuous Disclosure and Shareholder Communication Policy are available on the Company's website. The Company utilises its website and regular investor updates to disclose relevant information about the Company. The Company requires that the auditors of the Company attend the Company's annual general meeting and respond to questions that shareholders may have.

Recognise and manage risk

The Audit and Compliance Committee is responsible for reviewing the Company's internal controls and management of risk. The Audit and Compliance Committee's charter is available on the Company's website. The Board is also responsible for the oversight of risk management and reviews the effectiveness of the Company's risk management systems on an annual basis. The Chief Executive Officer and Chief Financial Officer must provide a statement to the Board that the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance.

Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee which is governed by the Remuneration and Nomination Committee Charter which is available on the Company's website. For details of the Company's remuneration philosophy and framework, refer to the Company's Proxy Statement.