ASX MEDIA RELEASE

Quarterly Report at 31st December 2019

H1 receipts from customers up 21%, with cash on hand
China NMPA received at end of period with more to come

SYDNEY, Australia, Thursday 23rd January 2020: Uscom Limited (ASX code: UCM) (the **Company** or **Uscom**) today released its Appendix 4C – Quarterly cash flow report for the period ended 31th December 2019 (**The Quarter**). All results in the attached 4C are in Australian dollars and compared with prior corresponding period (pcp).

Highlights

For The Quarter, we note the following:

- H1 receipts from customers **$1.11m - up 21%** on pcp ($0.92m)
- Net Q2 operating cash outflow of **$0.28m** with **$1.48m** cash on hand
- Q2 cash receipts **$0.76m** - **down 42%** on pcp ($1.30m) due to delayed approvals and reduced R&D receipts
- China cash sales **$0.4m** in first week of January (after NMPA and Q2 end)
- Forecast Q3 net cash inflow **$0.31m** - Forecast outflow $0.99m and inflow $1.30m

The Uscom 4C for Q2 FY 2020 reports a net operating cash outflow of $0.28m, with $1.48m cash on hand at 31st December and total cash receipts of $0.76m, down from $1.30m in the pcp due to delayed approvals and reduced R&D receipts. Cash receipts of $0.4m were received from China operations in the first week of Q3, with forecast cash receipts for Q3 being $1.3 million. If achieved this will generate a quarterly cash surplus of $0.35m with projected cash on hand at the end of Q3 of $1.8 million.

Business Review

Revised distribution models, and NMPA driven sales create optimism for Q3 and Q4

Delayed regulatory approvals in China and Europe, and growth driven structural changes in all 3 major markets clipped Q2 and H1 results. However receipt of the NMPA and an immediate sales responses, and progress of AIR CE approval in Europe are positive signs for Q3 AND Q4.

1. China

New distribution model implemented and NMPA received 30th December 2019 (last day of period). A new direct distribution model was implemented by Uscom's newly established wholly owned subsidiary, Uscom China, during the course of H1. However all new distributor contracts negotiated during the change over were contingent on issue of the USCOM 1A NMPA approval which was received on the 30th of December. This resulted in diminished sales for Q1 and Q2, and a complimentary rush of new sales in the first week of January ($0.4m). Received orders and forecast sales for Q3 indicate significant impending sales. The NMPA review of our BP+ and SpiroSonic devices are progressing and should be completed in 6-12 months.

2. Europe:

New structure, and direct sales team appointed with CE due for issue. Uscom shifted to new and larger premises in Budapest, and all regulatory approvals required re-certification. This included a new CE for European markets, and then renewed certification in each Middle Eastern and SE Asian jurisdiction. The result has been significantly diminished European sales for 12 months while waiting for the CE approvals. The effects of our newly appointed direct sales force for Europe are being felt as they actively growing our distribution network and our direct sales opportunities.

3. US:

Contracted 28 new sales staff to cover 75% of US market. In Q2 we completed contracts appointing a team of 28 dealers, in addition to our own 2 US based personnel, to deliver our products to more than 75% of the US market without additional direct costs. This incentive based model has received immediate uptake and we are currently rapidly growing our sales funnel. We are optimistic that this initiative will yield significant growth in this large market over the coming year. Importantly this new structure will provide a sales platform for the USCOM 1A, which has FDA approval, and the BP+ and SpiroSonic devices which are mid FDA application.

4. SE Asia:

Preparation for establishment of Regional Head Quarters in Singapore. SE Asia remains one of the fastest growing medical markets in the world and Uscom is now in the process of developing direct distribution into SE Asia through a regional HQ in Singapore. Although at an early stage a number of distributors are currently in the process of appointment.

Over the last 12 months Uscom has restructured its sales model in each of the major jurisdictions as part of a global strategy to grow volume and margin by implementing a direct sales model with increased distributors. Appointing and inducting new sales teams is taking time and has interrupted revenue and impacted H1 results. However management are confident that these changes are essential to transition to enduring profitability and global scale as our remaining regulatory approvals progress.

Executive Chairman of Uscom, Professor Rob Phillips said *"Uscom's investment in China is beginning to pay off as we expand our global operations, an investment which is beginning to generate an excellent on going sales pipeline which will convert to sales and revenue in the coming reporting periods. These results demonstrate that we preserved a healthy sales and cash position despite our Q2 and H1 being impacted by delayed regulatory approvals and adjustments to our R&D receipts. The implementation of significant structural changes which are shifting Uscom from being a simple medical device company to a vertically integrated global health technology group with a direct sales organisation also impacted our H1 results. We are building a strong fundamental platform for enduring profitability with an aggressive strategy of sales and distribution growth built on the clinical strength of our innovative suite of products. Our global growth strategy, supported by these results, is conceived to expand our operations and continue to grow shareholder value foreseeably."*

Uscom manufactures and markets the USCOM 1A, the Uscom BP+, and the Uscom SpiroSonic digital ultrasonic spirometry technologies. These premium digital devices are changing the way we diagnose and treat cardiovascular and pulmonary diseases. The USCOM 1A provides vital guidance for optimising management of sepsis and the administration of fluid, inotropes and vasoactive therapies in critical care monitoring. The BP+ SpiroSonic devices improve diagnosis and management of hypertension, heart failure, asthma, COPD and sleep disorders in the clinical and home care environments.

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About Uscom

Uscom Limited (UCM): An ASX listed innovative medical technology company specialising in development and marketing of premium non-invasive cardiovascular and pulmonary medical devices. Uscom has a mission to demonstrate leadership in science and create noninvasive devices that assist clinicians improve clinical outcomes. Uscom has three practice leading suites of devices in the field of cardiac, vascular and pulmonary monitoring; the USCOM 1A advanced haemodynamic monitor, Uscom BP+ central blood pressure monitor, and the Uscom SpiroSonic digital ultrasonic spirometers. Uscom devices are premium resolution, noninvasive devices which deploy innovative and practice leading technologies approved or submitted for FDA, CE, CFDA and TGA regulatory approval and marketing into global distribution networks.

The USCOM 1A: A simple to use, cost-effective and non-invasive advanced haemodynamic monitor that measures cardiovascular function, detects irregularities and is used to guide treatment. The USCOM 1A device has major applications in Paediatrics, Emergency, Intensive Care Medicine and Anaesthesia, and is the device of choice for management of adult and paediatric sepsis, hypertension, heart failure and for the guidance of fluid, inotropes and vasoactive cardiovascular therapy.

The Uscom BP+: A supra-systolic oscillometric central blood pressure monitor which measures blood pressure and blood pressure waveforms at the heart, as well as in the arm, information only previously available using invasive cardiac catheterisation. The Uscom BP+ replaces conventional and more widespread sub-systolic blood pressure monitors, and is the emerging standard of care measurement in hypertension, heart failure and vascular health. The Uscom BP+ provides a highly accurate and repeatable measurement of central and brachial blood pressure and pulse pressure waveforms using a familiar upper arm cuff. The BP+ is simple to use and requires no complex training with applications in hypertension and pre-eclampsia, heart failure, intensive care, general practice and home care. The Uscom BP+ is supported by the proprietary **BP+ Reporter**, an innovative stand alone software solution that provides a digital platform to archive patient examinations and images, trend measure progress over time, analyse pulse pressure waves and generate summary reports.

Uscom SpiroSonic digital multi-path ultrasonic spirometers: High fidelity, digital, pulmonary function testing devices based on multi path ultrasound technology. They require no calibration, are simple to disinfect, and are simple and accurate to use providing research quality pulmonary function testing in small hand held devices that can be used in research, clinical and home care environments. The devices can be coupled with mobile phone applications and proprietary SpiroSonic software platforms with wireless interfacing to provide remote tele-monitoring of pulmonary disease. The devices are specialised for assessment of COPD, sleep disordered breathing, asthma, industrial lung disease and monitoring of pulmonary therapeutic compliance. The SpiroSonic devices are supported by the proprietary **SpiroReporter**, an innovative stand alone software solution that provides a digital platform to archive patient examinations and images, trend measure progress over time, analyse spirometry outputs and generate summary reports.

For more information, please visit: www.uscom.com.au

Uscom Contacts

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+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity	
USCOM LIMITED	
ABN	**Quarter ended ("current quarter")**
35 091 028 090	31 December 2019

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (6 months) $A**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	386,404	1,113,505
1.2	Payments for		
	(a) research and development	(218,763)	(423,149)
	(b) product manufacturing and operating costs	(217,432)	(318,976)
	(c) advertising and marketing	(197,003)	(353,391)
	(d) leased assets	(63,687)	(124,693)
	(e) staff costs	(330,438)	(830,092)
	(f) administration and corporate costs	(30,461)	(284,724)
1.3	Dividends received (see note 3)		
1.4	Interest received	3,334	3,543
1.5	Interest and other costs of finance paid	10,939	(945)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	375,352	467,443
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(281,755)**	**(751,479)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		

Consolidated statement of cash flows		Current quarter $A	Year to date (6 months) $A
	(c) investments		
	(d) intellectual property	(2,783)	(15,255)
	(e) other non-current assets-term deposit		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(2,783)**	**(15,255)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	303,048	750,000
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(7,099)	(9,021)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(350,000)	300,000
3.10	**Net cash from / (used in) financing activities**	**(54,051)**	**1,040,979**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	**1,828,237**	**1,208,496**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(281,755)	(751,479)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,783)	(15,255)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(54,051)	1,040,979

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (6 months) $A**
4.5	Effect of movement in exchange rates on cash held	(6,642)	265
4.6	**Cash and cash equivalents at end of quarter**	**1,483,006**	**1,483,006**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A**	**Previous quarter $A**
5.1	Bank balances	1,467,831	1,813,082
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details) – Term Deposit	15,175	15,155
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,483,006**	**1,828,237**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A**
6.1	Aggregate amount of payments to these parties included in item 1.2	91,421
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors' remuneration

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A**	**Amount drawn at quarter end $A**
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A**
9.1	Research and development	100,000
9.2	Product manufacturing and operating costs	150,000
9.3	Advertising and marketing	120,000
9.4	Leased assets	75,000
9.5	Staff costs	420,000
9.6	Administration and corporate costs	120,000
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**985,000**

Note: Average quarterly receipts for FY2019 is $950k.

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1			
10.2			
10.3			
10.4			
10.5			

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 23/01/2020
(Director)

Print name: Rob Phillips

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.