

USCOM CORPORATE GOVERNANCE



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Corporate Governance Statement

Corporate Governance Statement

Uscom Ltd is committed to a corporate culture of excellence, openness, and integrity.

The company, its directors, management and staff are committed to fostering and maintaining the highest professional standards in dealing with all its stakeholders, including investors, employees, customers and the public at large.

This commitment is under-pinned by adherence to a set of policies for best practice in corporate governance.

In addition to strict compliance with its obligations under law, including the Corporations Act and the Australian Stock Exchange Listing Rules, Uscom has adopted the principles of good corporate governance and best practice recommendations issued by the ASX Corporate Governance Council in August 2007.

The essential corporate governance principles are:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision-making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

The following is a point-by-point explanation of Uscom's compliance or otherwise with the 8 core principles.

Corporate Governance Statement

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board has adopted a charter that sets out the responsibilities reserved by the Board, those delegated to the chief executive officer and those specific to the chairman.

The key elements of the Board charter are:

Membership

The board's membership and structure is selected for optimum efficiency while providing high levels of expertise in science, medicine and business. The Board currently consists of four members; two of them being non-executive directors and two executive directors.

Meetings

The Board will meet typically every 6 weeks, but not less than 6 times per year. Directors are expected to attend substantially all of the board meetings as well as relevant meetings of the board committees.

Roles and Responsibilities

The role and responsibilities of the board are to:

- Oversee the control and accountability of the company
- Set the broad targets, objectives and business strategy
- Monitor the financial performance
- Assess the company's risk exposure and review risk management options
- Oversee and approve remuneration, employment and succession policies
- Appoint and regularly evaluate the chief executive officer
- Oversee the company's corporate governance and legal obligations
- Monitor the company's compliance with its Code of Conduct
- Review and approve the company's Research and Development Plan
- Ensure compliance with and good management of quality systems
- Approve all major capital purchases, asset disposals or acquisitions and the issue of new shares
- Appoint and remove the company's external auditor

Committees

The company has appointed an audit and risk committee, responsible for reporting to the full board on issues relating to the company's financial information and a regular review of the company's risk environment.

Delegation to the chief executive officer

The day-to-day management and operations of the company are delegated to the chief executive officer.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.

The chief executive officer, chief financial officer and general manager attend the scheduled board meetings and present progress against company goals and objectives. The board assesses performance against the goals and objectives on a regular basis at these meetings. The company conducts annual performance appraisals of all employees.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.

Performance evaluation for senior executives has taken place in the reporting period and it was in accordance with the process disclosed.

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Principle 2: Structure the board to add value

Uscom Ltd has the services of a board with a wide range of professional experience in fields such as science, medicine, marketing and international business.

The board consists of:

Mr Phil Kiely	Chairman	Executive director
Mr Rob Phillips	Chief executive officer	Executive director
Mr Bruce Rathie		Non-executive director
Mr Jochen Bonitz		Non-executive director

Recommendation 2.1: A majority of the board should be independent directors

The Board consists of four members, two of whom are non-executive directors. The company takes the view that the two non-executive directors are also independent directors. In the interests of transparency, the company discloses relationships or business associations which may impact a person's own interpretation of the definition of independent.

Mr Phil Kiely

Mr Phil Kiely is Executive Chairman of Uscom Limited. He has degrees in Commerce and Law from the University of New South Wales. Mr, Kiely has over 25 years in the ICT sector working in leading global companies having spent seven years at Oracle Corporation, the world's largest database company. His last role at Oracle was as Vice President Oracle Online, Asia Pacific where he was responsible for developing the strategy and execution of Oracle's online activities in the region. Prior to this Phil was the Regional Managing Director of Oracle Corporation, Australasia. Prior to joining Oracle, Phil was one of the pioneers of outsourcing in Australia. He held positions as General Manager, Continuum Australia later acquired by CSC and General Manager, Computations.

Mr Rob Phillips

Mr Phillips is the founder of Uscom Ltd, the Chief Executive Officer of the Company and is an Executive Director. Mr Phillips has over 10yrs experience in publicly listed corporate management at a senior executive and Board level. He has a Master of Philosophy in Medicine from The University of Queensland, is an Australian Post Graduate Award recipient, and is the author of over 30 patents and patent applications relating to cardiovascular performance and measurement. He is a recognised pioneer in the field of digital ultrasound and echocardiography and has been prolific at an international level in researching and presenting novel clinical approaches to cardiovascular assessment. Mr Phillips is the Head of Cardiac Faculty at the Aust Institute of Ultrasound, a Faculty Member of the International Society of Cardiovascular Ultrasound, a fellow of the American Society of Echocardiography and has been a Cardiac Examiner for the Australian Society for Ultrasound in Medicine for a number of years.

Mr Bruce Rathie

Mr Rathie is a non-executive director of Uscom Ltd. He holds degrees in law, commerce and business and has nearly 15 years experience in investment banking in Australia and New York. He was until march 2008 National Executive Director of the Australian Institute of Management and is currently a non executive director of ASX listed Anteo Diagnostics Ltd, PolyNovo Biomaterials Pty Ltd, DataTraceDNA Pty Ltd and Capricorn Society Limited and is Chairman of Uniting Care Ageing NSW & ACT, one of the largest aged care service providers in NSW and the ACT.

Mr Rathie is a member of the audit and risk committee.

Mr Jochen Bonitz

Mr. Jochen Bonitz is a non-executive director of Uscom Ltd. Mr Bonitz holds a Bachelor of Science degree from the University of NSW and a MBA from the Australian Graduate School of Management. Mr Bonitz is a former Director at KPMG Corporate Finance with over 23 years experience in the technology sector spanning a career in programming, consulting and Mergers & Acquisitions advisory.

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Mr Bonitz is a member of the audit and risk committee.

The two currently serving non-executive directors are independent. The company considered that having two non-executive independent directors on a board of four is equivalent to a majority as the executive chairman has given an undertaking in writing not to exercise his right of a casting vote against the votes of the non-executive independent directors.

Recommendation 2.2: The chairperson should be an independent director

The chairman of Uscom Ltd, Mr Phil Kiely is an active member of the executive management team and is not an independent director. The company's non-compliance with this recommendation is based on a sound assessment of the best interests of all the stakeholders as Mr. Kiely's experience is required during the critical stages of building a distribution network and strategy. As the company is small and resources are limited it is appropriate that a hands on approach take place until such time the executive role can be performed by a permanent employee and Mr. Kiely can step back to a non executive role.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

The chairperson is Mr Phil Kiely. The chief executive officer is Mr Rob Phillips.

Recommendation 2.4: Establish a nomination committee

The company believes that a nomination committee is not necessary at this stage of the company's development. Issues relating to board membership will continue to be overseen by the full board. The company believes this to be justified given the relatively small size of the board (four members) and that significant growth in the number of directors is not envisaged in the medium term.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors.

Directors performance is evaluated through their contribution and attendance at all board meetings. Being a small board (four members) all directors are actively involved in the strategic planning and goal setting of the company.

Recommendation 2.6: Provide the information indicated in the Guide to reporting on principle 2.

- The skills, experience and expertise relevant to the position of director held by each director in office (Refer to Directors' Report)
- The names of the directors considered by the board to constitute independent directors and the company's materiality threshold can be found in the Directors' Report.
- All company non-executive directors are considered independent, notwithstanding the existence of relationships stated in the Guide.
- Refer to the Directors' Report for the term of office held by each director in office.
- The company believes that a nomination committee is not necessary at this stage of the company's development therefore does not hold nomination meetings.
- A statement detailing the procedure agreed by the board for directors to take independent professional advice at the expense of the company can be found in the Remuneration Report.
- A formal performance evaluation for the board, its committees and directors has not taken place in the reporting period however performance is measured as described in 2.5.

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Principle 3: Promoting ethical and responsible decision-making

Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer and other key executives as to:

- The practices necessary to maintain confidence in the company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The company has developed a code of conduct for directors, management and staff, underlining the company's commitment to high ethical standards in the conduct of the company's business.

The Code of Conduct sets out the company's core values and serves as a checklist for our responsibilities under law, to the company, to the market, to our customers and to the public at large.

The Code of Conduct is a commitment to fair and honest trading and respect for people. It provides guidelines for staff, management and directors on:

- the defence on the company's reputation
- the proper management of the company's assets and resources
- the acceptance or offer of bribes and gifts
- the handling of conflicts of interest
- the reporting of breaches of the Code

The board of directors is responsible for ensuring the company's compliance with the Code and the good and fair management of reports of any breaches.

Recommendation 3.2: Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy

The company has adopted a policy in relation to share trading, which applies to all staff, management and directors, members of their families and any trust or family companies in which they may have an interest.

Under the Constitution of the company, directors and employees of the company may not trade the securities of the company in the 30 days prior to and 24 hours after the announcement of the company's financial results.

In addition, directors and employees who are in receipt of information which a reasonable person would expect to have a material effect on the price or value of Uscom shares and that information is yet to be published to the market, must not trade in Uscom securities.

Directors must notify the company secretary within 3 days of any trading in Uscom shares. Employees participating in the company's Share Options Programme must notify the company secretary in advance of any exercise of the employee's share options.

Recommendation 3.3: Provide the information indicated in the Guide to reporting on Principle 3.

Code of Conduct section sets out from pages 13 to 16.

Share trading policy section sets out from pages 24 to 26.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Establish an audit committee.

The board has established an audit and risk committee.

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Recommendation 4.2: Structure the audit committee so that it consists of only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the board; at least three members.

The company has appointed an audit and risk committee, responsible for reporting to the full board on issues relating to the company's financial information and a regular review of the company's risk environment.

The committee is made up of two members with both of them being independent directors and has an independent director as chairman. It was considered appropriate for the size of the company. The audit and risk committee will meet at least three times per year.

Recommendation 4.3: The audit committee should have a formal charter.

The audit and risk committee operates according to a formal charter.

Recommendation 4.4: Provide the information indicated in the Guide to reporting on Principle 4.

The audit and risk committee charter sets out from pages 20 to 24.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The company has produced and adopted a disclosure policy, which has been communicated to all directors, managers and employees.

Recommendation 5.2: Provide information indicated in the Guide to reporting on Principle 5.

Disclosure policy sets out from pages 28 to 29.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Uscom Ltd is committed to keeping shareholders fully informed of significant developments and activities at the company.

The company's primary communications tool is its website, and all announcements are posted on the site, immediately after they are released to the ASX through the appropriate electronic publication procedure.

Where information may be provided to market analysts or the media which is materially incremental to the announcements already published, this information would be treated as an announcement and published accordingly.

All announcements, dating back to May 2001, remain available on the website.

In addition, the website provides an "Investors" section, where more detailed information is available, including access to all of the company's financial statements and the delayed share trading data produced by ASX.

Shareholders are encouraged to actively communicate with the company through contact details provided on the website.

The company also encourages shareholders to participate in the annual general meeting.

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Ample notice of this meeting will be provided. All documents and presentations delivered to the annual meeting will be posted immediately on the company website.

Recommendation 6.2: Provide the information indicated in the Guide to reporting on Principle 6.

Principle 7: Recognise and manage risk

Recommendation 7.1: Establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The company has appointed an audit and risk committee, which is charged with oversight of the company's risk profile. The committee assesses the adequacy of the company's control and risk environment, including accounting, financial and operating controls and the appropriateness of its accounting policies and practices. The committee manages a dynamic checklist of potential risk components and reviews each component during the course of a year.

Recommendation 7.2: Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Management has reported to the board as to the effectiveness of the company's management of its material business risk.

Recommendation 7.3: Disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The chief executive officer and the chief financial officer, who supervise financial and accounting matters, are required to sign off on the company's accounts, as recommended.

Recommendation 7.4: Provide the information indicated in the Guide to reporting on Principle 7.

Refer to audit and risk committee charter from pages 20 to 24.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: Establish a remuneration committee.

Given the relatively small size of the Uscom board, the company does not currently see the need for a separate remuneration committee.

Uscom Ltd has adopted a remuneration policy based on performance and contribution.

Each staff member's performance is reviewed by the employee's direct manager, typically in July of each year. In this review, the objectives for the forthcoming 12-month period are mutually agreed and performance against the preceding year's objectives is reviewed. Where an employee has exceeded the objectives and or reasonable expectations of the manager, the employee will be considered for both a cash bonus and a share options grant.

Each manager will submit to the chief executive officer a set of recommendations arising from the employee review. The chief executive officer will then make recommendations to the board.

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In the case of senior executives, i.e. the chairman, chief executive officer and general manager, a recommendation for compensation review will be made by the chairman to the board, which will conduct a performance review, as described above.

Recommendation 8.2: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Remuneration policies

The board is responsible for reviewing the remuneration policies and practices of the company, including the compensation arrangements of executive directors, non-executive directors and senior executives.

The company has adopted remuneration policies based on performance and contribution for determining the nature and amount of emoluments of board member and senior executives. The objective of these policies is to:

- Make Uscom Ltd and its Consolidated Entity an employer of choice
- Attract and retain the highest calibre personnel
- Encourage a culture of reward for effort and contribution
- Set incentives that reward short and medium term performance for the company
- Encourage professional and personal development

In the case of senior executives, a recommendation for compensation review will be made by the Chairman to the board, which will conduct a performance review.

Non-executive directors

The board determines the non-executive director remuneration by independent market data for comparative companies.

As at the date of this report the maximum aggregate remuneration payable out of the funds of the Entity to non-executive directors of the company for their services as directors including their service on a committee of directors is \$165,000 per annum.

Non-executive directors' base fees are presently \$35,000 per annum. Non-executive directors do not receive any performance related remuneration, therefore they do not receive bonuses or non-cash benefits.

Non-executive directors' retirement payments are limited to compulsory employer superannuation.

Executive directors and senior management remuneration

The company's remuneration policy directs that the remuneration package appropriately reflects the executives' duties and responsibilities and that remuneration levels attract and retain high calibre executives with the skills necessary to successfully manage the company's operations and achieve its strategic and financial objectives.

The total remuneration packages of executive directors and senior management are on a salary basis. In addition to base salary, the company has a policy of rewarding extraordinary contribution to the growth of the company with the grant of an annual discretionary cash bonus and options under the company's Employee Share Option Plan.

Executives are also entitled to be paid for their reasonable travel, accommodation and other expenses incurred in consequence in the execution of duties.

Other than the Uscom Ltd employee share option plan, the company does not provide any other non-cash benefits in lieu of base salary to executives.

Remuneration packages for executive directors and senior executives generally consist of

Corporate Governance Statement

three components:

- Fixed remuneration which is made up of cash salary, salary sacrifice components and superannuation.
- Short term incentives
- Long term incentives which include issuing options pursuant to the Uscom Ltd employee share option plan.

Fixed remuneration

Senior executives who possess a high level of skill and experience are offered a competitive base salary. The performance of each executive will be reviewed annually. Following the review, the company may in its sole discretion increase the salary based on that executive's performance, productivity and such other matters as the board considers relevant.

Superannuation contribution by the company is limited to the statutory level at 9% of wages and salaries.

Short-term incentives

The remuneration of Uscom Ltd senior executives does not include any short-term incentive bonuses as part of their employment conditions except for the national sales manager who on achieving a specific sales target will receive a bonus payment. The board may however approve discretionary bonuses to executives in relation to certain milestones being achieved.

Long-term incentives

The company has adopted a share option plan for the benefit of executive directors, full-time and part-time staff members employed by the Company.

In accordance with the plan, exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options. Each option is issued for a period of 4 years, which vest 25% in tranches throughout the period.

The board, at its discretion, may approve the issue of options under the share option plan to senior executives. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the board from time to time. The board may propose the issue of options to directors, however this will be subject to shareholder approval at the Annual General Meeting.

Independent data from applicable sources may be requested by the board to assess whether the performance hurdles have been met.

Service agreements

The company has entered into service agreements with the chairman and chief executive officer that

- Outlines the components of remuneration payable; and
- Specifies term and termination conditions.

Details of the service agreement are as follows:

Term

The executive employment agreements are for a term of 3 years. The term of employment may be extended by the company after the expiration of the initial 3 year term.

Each executive may not, during the term of the employment agreement, perform work for any other person, corporation or business without the prior written consent of the company.

Termination

Despite anything to the contrary in the agreement, the company or the executive may terminate the employment at any time by giving the other party 3 months' notice in writing.

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If either the company or the executive gives notice of termination, the company may, at its discretion, choose to terminate the executive's employment immediately or at any time during the notice period and pay the executive an amount equal to the salary due to him for the residual period of notice at the time of termination.

Where the executive gives less than 3 months' written notice, the company may withhold from the executive's final payment an amount equal to the shortfall in the notice period.

The employment of each executive may be terminated immediately without notice or payment in lieu in the event of any serious or persistent breach of the agreement, any serious misconduct or wilful neglect of duties, in the event of bankruptcy or any arrangement or compensation being made with creditors, on conviction of a criminal offence, permanent incapacity of the executive or a consistent failure to carry out duties in a manner satisfactory to the company.



Code of Conduct

Code of Conduct

Uscom Ltd is a company with big ambitions. We work in a diverse and rapidly changing global marketplace. Our people are highly competitive, inventive and entrepreneurial. And we are all committed to honesty and fair trading.

From time to time, we may find ourselves in complex and sometimes confrontational business situations, where our common sense approach to ethical standards may be challenged. In order that none of us can ever be in doubt about Uscom's position on proper standards of ethical behaviour, the company has produced and formally adopted the following company Code of Conduct.

The company is owned by its shareholders. We all have a responsibility to build, retain and grow shareholder value. But our responsibilities don't stop there. We have a broader obligation to the community as a whole, to set the highest standards as a company and as individuals.

The Uscom Code of Conduct applies equally to every member of the Uscom team, staff, executives and directors.

The Code of Conduct is designed to supplement our common sense. It is a checklist of our responsibilities to:

- the law
- the company
- the market
- people
- customers

Our responsibilities under law

In our daily business we operate under a wide range of Australian law, including the Trade Practices Act, the Corporations Act and the ASX Listing Rules.

Uscom and its people must always act in a way which is compliant with the letter and the spirit of the law. This applies within Australia and when we travel overseas. We must always comply with the prevailing law and customs of any country in which we do business. If anyone has any questions about these obligations, they must seek advice from a senior member of the management team or the board.

Our responsibilities to the company

Defending our reputation

We are all ambassadors for Uscom. Our reputation is a vital asset and must always be fostered and protected. We must always act and behave in a way which enhances this asset and must not take any action or make any statement which may in any way bring the company into ill repute.

Properly use our assets and resources

The property, assets and resources of the company, whether they be money or equipment, are for company use only and must not be used for personal purposes.

Properly manage the company's information

Confidential information which we absorb every day is the property of the company and must be carefully managed. We must never divulge or disclose confidential company information without explicit authorisation. Information which may be price sensitive, i.e. that which may materially impact the company's share price, is particularly sensitive.

Code of Conduct

The company has obligations under law to continuously disclose this information to the entire market in a timely manner. If you are uncertain about how to manage this type of information, it is essential that you consult a senior member of the management team or the board. This information must be disclosed in an orderly fashion. It must not be shared with anyone other than the appropriate personnel for the purpose of proper disclosure. There are particular rules applying to our trading in company shares when in receipt of market sensitive information. This is explained in the company's Disclosure Policy and Share Trading Policy documents, which must be read and understood by all of us.

Bribes and gifts

We must never under any circumstances accept or offer a bribe. This is not only unlawful it is entirely contrary to the spirit of our code of ethics.

In normal circumstances we must never accept or offer gifts. In the event that the refusal of a gift may cause offence to the other party, then the gift can be accepted but it must be formally notified and documented to the company secretary.

Employees and directors must also show caution in the offer and acceptance of entertainment, which if excessive, may distort normal professional business relationships.

Conflicts of interest

If we find ourselves in a situation where the interests of the company may be in conflict with our own personal interests, we must seek advice from a senior manager, provide an honest and detail explanation of the conflict and co-operate with management in the fair resolution of the conflict.

Reporting of breaches

If we become aware of a breach of the principles outlined in this policy, we must report the breach immediately to a senior manager or a member of the board. The board of directors is committed to ensuring compliance with the Code and will thoroughly review any reported breach. Wherever possible under law, any such report will be treated on a confidential basis.

Our Responsibilities to the market

We are proud to be a company listed on the Australian Stock Exchange. With this privilege come a number of obligations under law, the ASX Listing Rules and the company's commitment to best practice in corporate governance. We must all read and understand the company's Corporate Governance Policy, the Disclosure Policy and Share Trading Policy documents.

The overriding principle is that the market must be informed continuously of material matters and the whole market must be informed equally.

Our responsibilities to people

We must behave in a manner, which is founded on respect for people. Whether fellow members of staff, investors, customers, suppliers, competitors or the public at large, we must behave in a respectful and dignified manner.

Uscom and its people never discriminate on grounds of race, sex, religion, sexual preference or disability. Our employment policy is based on at least equal opportunity.

The company is committed to providing a safe, clean, healthy and comfortable working environment and recognises its obligations under Occupational Health and Safety regulations.

Our responsibilities to our customers

Uscom is committed to quality. We develop our technology under documented quality

Code of Conduct

systems. But our quality commitment goes further to include every facet of our company's operations. We must achieve quality and always seek excellence in the manufacturing of our products, the delivery of our services, customer support, user training and the value we deliver to customers.

If in doubt

If at any time anyone is uncertain about the application of this code, we must seek advice from a senior manager or a member of the board.

We are all invited to make submissions for future additions or amendments to the Code of Conduct. It is important that this policy is a dynamic document, accurately reflecting the highest ethical standards of the greater community as well as Uscom's commitment to excellence in the way we work and behave.



Board Charter

Board Charter

Uscom Ltd is governed by a board of directors, charged with guiding the strategies and operations of the company in the best interests of all stakeholders.

The board acts diligently and honestly in accordance with all appropriate law, as well as the principles of good corporate governance as recommended by the Australian Stock Exchange Corporate Governance Council.

The board is responsible for ensuring the company creates sustainable value for shareholders. In discharging their responsibilities as directors, members of the board comply with Uscom's Code of Conduct.

Membership

The board's membership and structure is selected for optimum efficiency while providing high levels of expertise in science, medicine and business. The board currently consists of four members; two of them being non-executive directors and two executive directors. Uscom Ltd considers that all two of the non-executive directors are independent directors.

Additional directors

The appointment of a new board member must be decided by the full board. Any director may nominate a proposed new member. The board may commission recruitment consultants to assist in identifying and/or recommending candidate directors.

Meetings

The board will meet typically every six weeks, but not less than six times per year. Directors are expected to attend substantially all of the board meetings as well as relevant meetings of the board committees.

Roles and responsibilities

The role and responsibilities of the board are to:

- Oversee the control and accountability of the company
- Set the broad targets, objectives and business strategy
- Monitor the financial performance
- Assess the company's risk exposure and review risk management options
- Oversee and approve the remuneration, employment and succession policies
- Appoint and regularly evaluate the chief executive officer
- Oversee the company's corporate governance and legal obligations
- Monitor the company's compliance with its Code of Conduct
- Review and approve the company's Research and Development Plan
- Ensure compliance with and good management of quality systems
- Approve all major capital purchases, asset disposals or acquisitions and the issue of new shares
- Appoint and remove the company's external auditor.

Board Charter

Committees

The company has appointed an audit and risk committee, responsible for reporting to the full board on issues relating to the audit of the company's financial information and a regular review of the company's risk environment.

The audit and risk committee consists of two members, both being independent directors and chaired by an independent director. The audit and risk committee will meet at least three times per year. The Committee works according to the terms of a Charter which is included as a part of the company's Corporate Governance documentation.

Due to the relatively small size of the board, the company has chosen not to appoint a Remuneration Committee or a Nomination Committee for the foreseeable future.

Delegation to the chief executive officer

The day-to-day management and operations of the company are delegated to the chief executive officer (CEO).

The CEO is answerable to the board. The CEO is responsible for achieving milestones and targets as agreed with the board and is responsible for the supervision and management of all employees.

The CEO produces a written report to directors at intervals of no less than six weeks or more often wherever required. The report keeps directors fully informed of the financial condition of the company and progress against key business variables including the company's cash position, sales performance, costs, personnel, market development and Research & Development.

The CEO counter-signs, along with the chief financial officer, all published financial statements prior to their publication. The CEO is delegated by the board to manage communications through statements to the ASX, publication of statements on the company's website and contact with the media and financial community.

As in the case of directors, the CEO must comply with the letter and the spirit of the Uscom Code of Conduct, which is included as a part of the company's Corporate Governance documentation.

Independent professional advice

Directors may seek independent professional advice, at the company's cost, in consultation with the chairman.



Audit and Risk Committee Charter

Audit and Risk Committee Charter

To assist in the execution of the board's corporate governance responsibilities, Uscom Ltd has established an audit and risk committee. The Committee comprises two members with the majority being independent directors and an independent director as chairman. The company secretary acts as secretary.

The audit and risk committee shall meet no less than three times per year or additionally as special circumstances arise. The external auditors and management attend meetings of the committee by invitation.

Audit and Risk Committee responsibilities

The audit and risk committee is charged with the responsibility of, and where appropriate make recommendation to the Board on the following:

- Determine the adequacy of the company's control and risk management procedures, including accounting, financial and operating controls and the appropriateness of its accounting policies and practices;
- Be the link between the Board and the External Auditors, reviewing, on a half and full year basis, the financial results, tax returns and reports to the Board on findings prior to publication and release to the market;
- Oversee and appraise the quality of and the effectiveness of the audits conducted by the External Auditors;
- Keep the Board informed of the committee's activities.

Audit independence

The purpose of an independent statutory audit is to provide shareholders with reliable and clear financial reports to which to base investment decisions. It is the role of the audit and risk committee to ensure that external auditor is both independent and seen to be independent. This is achieved principally by:

- The Board is responsible for appointing and removing external auditor, including the company compliance requirement that the external auditor rotate the senior audit partner for the company at least every five years;
- The external auditor has the right to meet separately with the independent director members of the audit and risk committee, if this is considered appropriate;
- The external auditor will report to the audit and risk committee as to how the company's accounting practices and reporting procedures compare to best practice;
- To promote audit quality and effective audit service by suitable qualified professionals.

The company requires the external auditor to provide suitable qualified personnel to ensure an effective audit. They should provide audit personnel who are appropriately trained; capable of meeting technical standards; able to maintain confidentiality and behave in a professional manner at all times.

The audit and risk committee will require the external auditor to confirm annually that it has complied with all professional regulations relating to external auditor independence. Specifically, the external auditor and its partners do not have a financial interest in the company; there are no business interests between the company and the external auditor other than those known to the company and agreed with the company.

The company requires its external auditor to maintain quality control processes whereby all key accounting decisions are reached after appropriate consultation with technical and subject matter experts within the firm.

Audit and Risk Committee Charter

As a matter of principle and sound corporate governance, the audit and risk committee will require the external auditor to annually provide assurance that total fees received by external auditor from the company do not have a material impact on its operations of financial conditions.

Non-audit work performed is restricted to fixed minimum fees level, excess fees may not be incurred without the prior approval of the chairman of the audit and risk committee.

Restrictions on work by external auditor

The following services by external auditor are prohibited to ensure that the independence of the external auditor is not affected by conflicts:

- May not be required to audit their own work;
- Participate in activities that would normally be undertaken by management;
- Are remunerated through a “success fee” structure;
- Act in an advocacy role for the company.

The external auditor is permitted to provide non-audit services that are not perceived to be in conflict with auditor independence, including tax advice services. The approval framework requires director approval for all assignments greater than \$20,000 subject to approval by the audit and risk committee. All assignments are reported to the audit and risk committee. Where the tax services for any one year are greater than that of the audit fees for that year, then audit and risk committee approval is required. Notwithstanding the restrictions outlined above, the Board has the right to request the external auditor to carry out a specific assignment, if it is determined by the board that it would be in the best interests of the shareholders and the company.

External auditor will not normally provide the following services:

- Bookkeeping or other services relating to accounting records or design and implementation of financial information systems;
- Appraisal or valuation of fairness opinions (relating to audit work);
- Advice on deal structuring that may be subject to audit;
- Advice on corporate strategy together with assistance in related documentation;
- Actuarial advisory services;
- Executive recruitment services or extensive human resource function;
- Acting as broker-dealer, promoter or underwriter;
- Provision of legal services; or
- Internal audit services.

The audit partners and any audit firm employee on the audit of the company are prohibited from being a director or an officer of the company.

The immediate family member of the audit partners and any audit firm employee on the audit of the company are prohibited from being a director or an officer in a significant position at the company until the lapse of a “cooling off” period of at least five years and after the five years “cooling off” period, can have no continuing financial relationship with the audit firm.

A former audit firm partners or employee on the audit of the company are prohibited from being a director or an officer in a significant position at the company.

Members of the audit team and firm are prohibited from having business relationship with the company or any officer of the company unless the relationship is clearly insignificant to both parties.

Audit and Risk Committee Charter

The audit firm, its partners, its employees on the audit of the company, and their immediate family members are prohibited from having direct or materially indirect investments in the company.



Share Trading Policy

Introduction

Uscom Limited is a public company, listed on the Australian Securities Exchange (ASX) and is committed to responsible corporate governance including ensuring that appropriate processes are in place to promote compliance with insider trading laws.

Uscom Limited (Company) has adopted a share trading policy to regulate the dealings in shares, options and other securities issued by the Company. The policy applies to the Company's directors and employees.

Purpose

The purpose of this policy is to ensure that the Company's directors and employees are aware of the legal restrictions of trading securities while such a person is in possession of unpublished price sensitive information concerning the Company and any of its subsidiaries.

In addition, the policy is intended to minimise the possibility that misunderstandings or suspicions arise that the Company's directors and employees are trading while in possession of unpublished price sensitive information.

Directors and Employees

In the context of this policy, Company's directors and employees include:

- a) Directors, officers, management consultants and other staff;
- b) The spouse or children of an employee;
- c) Partners or fellow directors of family partnerships and companies;
- d) A trust for which the employer acts as trustee or as a director of its trustee company; and
- e) An investment fund which effectively acts at the direction of the employee.

Restrictions on Trading

All Company's directors and employees are prohibited from trading in the Company's securities while in possession of unpublished price sensitive information. This is consistent with the legal prohibitions on insider trading contained in the Corporations Act.

'Unpublished price-sensitive information' means information which:

- a) relates to the company's securities;
- b) is specific or precise;
- c) has not been made public; and
- d) if it were made public would be likely to have a significant effect on the price or value of any securities.

It should be noted that either positive or negative information may be material.

Directors and employees, whilst in possession of unpublished price sensitive information, is subject to 3 restrictions:

- a) they must not deal in securities affected by information;
- b) they must not cause or procure anyone else to deal in those securities; and
- c) they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Directors and employees must not deal in securities of USCOM on consideration of a short term nature (i.e. buying and selling shares for short term trading gain).

Clearance to Deal

Company's directors and employees are required to receive clearance from a Committee, comprised of two of the Chairman, CEO and Company Secretary prior to undertaking any transaction in Company securities. If an employee is considered to possess unpublished price sensitive information, they will be precluded from making a security transaction until 1 trading day after the time of public release of that information.

Circumstances for refusal

All Company's directors and employees must not be given clearance (as required by paragraph 5 of this Policy) to deal in any company securities during a prohibited period. A 'prohibited period' means:

- a) any close period (refer para.7);
- b) any period when there exists any matter which constitutes unpublished price sensitive information in relation to the company's securities; or
- c) any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this Policy.

Close periods

For the purpose of this policy, and in particular paragraph 6 (a) a 'close period' is the period of 30 days immediately preceding the announcement of financial results including Annual, Half year and quarterly financial reports.

Clearance Records

A written record must be maintained by the company of the receipt of any advice received from an individual pursuant to paragraph 5 of this Policy and of any clearance given. If requested by the individual concerned, written confirmation from the company that such advice and clearance (if any) have been recorded must be given to the individual concerned. The Company Secretary, or failing him the CEO, will maintain the register of Clearance Records.

Exercise of rights or options

A committee comprising of two of the Chairman, CEO or Company Secretary may allow the exercise of an option or right under any employees' share scheme where the final date for the exercise of such option or right, or conversion of such security, falls during any prohibited period and the individual could not reasonably have been expected to exercise it at an earlier time when he/she was free to deal.

Exempt dealings

The following dealings are not subject to the provisions of this Policy:

- a) undertakings or elections to take up entitlements under a rights issue or other offer (including an offer of securities in lieu of a cash dividend);
- b) the take up of entitlements under a rights issue or other offer (including an offer of securities in lieu of a cash dividend);
- c) allowing entitlements to lapse under a rights issue or other offer (including an offer of shares in lieu of a cash dividend);
- d) the sale of sufficient entitlements nil-paid to allow take up of the balance of the entitlements under a rights issue;
- e) undertakings to accept, or the acceptance of, a takeover offer;
- f) a dealing by a director with a related/associated person whose interest in the securities is to be treated by virtue of the Corporations Act as the directors' interest.

Corporations Act

The requirements imposed by this policy are separate from the insider trading provisions contained in the Corporations Act.

Anyone who contravenes the prohibitions against insider trading contained in the Corporations Act will be guilty of an offence and risks substantial fines and/or imprisonment.

ASX notification by Directors

The Corporations Act and the ASX Listing Rules require director dealings in the company's securities ("director transactions") to be disclosed to the ASX.

In order to comply with the ASX Listing Rules, each director must inform the Company Secretary in writing of all director transactions as soon as reasonably possible after the date of the transaction and in any event no later than 3 business days after the transaction.

Summary

This policy is designed to clarify the obligations on directors and employees in relation to trading in the Company's securities, and to help them should they wish to buy and sell Company securities.

All queries regarding issues raised in this policy should be directed to the CEO or Company Secretary.



Disclosure Policy

Disclosure Policy

Uscom Ltd is committed to full compliance to the letter and the spirit of its obligations under the Listing Rules of the Australian Stock Exchange for Continuous Disclosure.

The principle is that all information which would materially impact the price or value of the company's shares must be disclosed on a continuous basis, in a timely and organised manner and through a formally adopted internal procedure. The flow of information must be clear, balanced, accurate and available to all so that the market can make informed decisions about whether to buy or sell shares in Uscom.

The company is obliged to take steps to ensure there is not a false market in Uscom shares.

It is essential that all employees, management and directors of the company fully understand this principle and seek advice if in any way uncertain. Breaches of this policy could result in severe criminal penalties. In addition, it is essential that Uscom builds and protects a reputation for being fully compliant and consistent in the management and disclosure of its information.

Exceptions to the Rule

The exceptions to the Continuous Disclosure rule include the following:

- Where a reasonable person would not normally expect the information to be disclosed
- The disclosure would constitute a breach of a law
- The information is not definite or incomplete, such as relating to an on-going negotiation
- The information was produced for internal management purposes
- Or the information is a trade secret

Disclosure authority

The chief executive officers (CEO), in consultation with the company secretary is responsible for the management of the day-to-day disclosure activities.

Disclosure procedure

The CEO in consultation with the company secretary will decide whether information is appropriate for disclosure. The CEO will prepare the information and instruct the company secretary to submit it, via e-mail to the Australian Stock Exchange (ASX) through the ASX electronic publication procedure. Upon receipt of confirmation that the information has been published on the ASX website, the information will be published in parallel on the Uscom website.

The responsibility of staff

Any member of staff, management or the board who becomes aware of information which may be material (whether it be good news or bad news), is required to notify the CEO or the company secretary immediately. If uncertain about whether the information is appropriate for disclosure, the person must seek guidance from a senior member of management or the board.

Communication with media, analysts and others outside the company

Only the CEO or a designated alternative is authorised to speak on the company's behalf with journalists, analysts, stockbrokers or other interested parties outside the company. This is an essential means of ensuring the flow of information is well managed, consistent and in compliance with this policy.

Disclosure Policy

The company will not communicate material information, which has not been communicated to the market as a whole. Where a presentation is given to media or analysts which may provide incremental material information, this briefing must be treated as an announcement and processed accordingly. Unpublished presentations must be restricted to background and explanatory material and must not contain information which may be or perceived to be price sensitive.

Any material being provided to interested parties outside the company, including brochures, documents, slides or PowerPoint presentations must first be approved by the CEO or the company secretary.

Analysts' reports & research

Any requests to review or comment on broker research or analysts' reports must be referred to the CEO or the company secretary. As a matter of policy, the company will provide only published information for the purposes of compiling these reports. When asked to review drafts, the company will only assist to the extent of correcting factual errors or misunderstandings by the authors. The company will provide no comment or guidance on any forecasts or financial projections. If the company has conducted such a review, it does not mean the company in any way endorses the contents or conclusions of the report except as it relates to factual statement.

Questions from interested parties

Where a member of staff, management or the board is approached with questions by interested parties about the company's operations, the inquiry must be referred to the CEO or the company secretary.

Responsibility of the board

The board of directors is responsible for ensuring compliance with the Listing Rules and this Disclosure Policy. Each board meeting will include a review of disclosures to the market since the preceding board meeting.

Financial statements and annual report

The company will publish its regular financial statements and annual report on a timely basis. Commentary will be added to these statements in order to enhance the market's knowledge and understanding of the company's operations and financial performance.