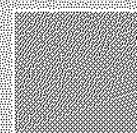


**USCOM**

ABN: 35 091 028 090



Commentary to Q1 Cash Flow Statement (Appendix 4C)

Friday 20 October, 2006: USCOM Limited (ASX Code: UCM) today released its cash-flow statement for the quarter ending 30 September 2006.

The Appendix 4C statement reveals net cash consumption for the quarter of \$1.09m, a \$300,000 improvement on the same quarter last year. The first quarter of the financial year is USCOM's most costly period in cash consumption, with the company building inventory for forthcoming orders and preparing for the busy international exhibition season.

Among the major items for the quarter was an investment of more than \$200,000 in inventory, included in Other Working Capital.

In addition, the Q1 figures reflect significantly higher levels of investment in personnel, with an additional 4 sales and applications staff in the US and 2 senior marketing executives in Australia.

The Q1 statement is the first to include the operations of USCOM's recently formed North American subsidiary, USCOM Inc.

The statement also reflects a payment of \$175,887 as a first payment for the sale of USCOM's 10% equity holding in Coefficient Systems Limited. A second tranche of approximately \$400,000 is anticipated in the current quarter.

Q1 CASH FLOW STATEMENT HIGHLIGHTS:

Cash in hand at 30 September	\$6,132,671
Total cash outflow	\$1,089,651
Receipts from customers	\$258,596

Commenting on the results today, USCOM's Chief Executive, Mr Gary Davey said, *"This is a good result for the first quarter. Sales are being achieved at key sites around the world and all our major territories are optimistic about meeting their targets for the year. With \$6 million cash in hand, the company is well resourced to complete its objectives for FY 07. We are highly optimistic about the prospects for the year."*

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

USCOM LIMITED

ABN

35 091 028 090

Quarter ended ("current quarter")

30 September 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (...3... months)
	\$A	\$A
1.1 Receipts from customers	258,596	258,596
1.2 Payments for (a) staff costs	(585,477)	(585,477)
(b) advertising and marketing	(384,434)	(384,434)
(c) research and development	(111,524)	(111,524)
(d) leased assets	-	-
(e) other working capital	(529,250)	(529,250)
1.4 Interest and other items of a similar nature received	119,809	119,809
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund	-	-
1.7 Other	1,714	1,714
Net operating cash flows	(1,230,566)	(1,230,566)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A	Year to date (...3... months) \$A
1.8 Net operating cash flows (carried forward)	(1,230,566)	(1,230,566)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(15,457)	(15,457)
(d) physical non-current assets	(19,799)	(19,799)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	175,887	175,887
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Exchange rate adjustment	284	284
Net investing cash flows	140,915	140,915
1.14 Total operating and investing cash flows	(1,089,651)	(1,089,651)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Payments relating to share issue	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(1,089,651)	(1,089,651)
1.21 Cash at beginning of quarter/year to date	7,222,322	7,222,322
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	6,132,671	6,132,671

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	100,868
1.25	Aggregate amount of loans to the parties included in item 1.11	NIL
1.26	Explanation necessary for an understanding of the transactions	
	N/A	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A	Amount used \$A
3.1	Loan facilities	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A	Previous quarter \$A
4.1	Cash on hand and at bank	499,217	154,869
4.2	Deposits at call	2,106,985	3,540,984
4.3	Bank overdraft	-	-
4.4	Other (provide details) Term Deposits	3,526,469	3,526,469
Total: cash at end of quarter (item 1.23)		6,132,671	7,222,322

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A
5.2	Place of incorporation or registration	N/A
5.3	Consideration for acquisition or disposal	N/A
5.4	Total net assets	N/A
5.5	Nature of business	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Company Secretary)

Date: 20 October 2006

Print name: Paul Butler

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.