



UNILIFE CORPORATION

ARBN 141 042 757

**Appendix 4D – Half Year Report
Six months ended 31 December 2014**

Results for announcement to the market

UNILIFE CORPORATION HIGHLIGHTS

Results for Announcement to the Market

				Six Months Ended 31 December 2014 US\$000's	Six Months Ended 31 December 2013 US\$000's
Revenue from ordinary activities	Up	0.3%	to	6,783	6,760
Profit (loss) from ordinary activities after tax attributable to members	Up	51.3%	to	(41,649)	(27,527)
Net profit (loss) for the period attributable to members	Up	51.3%	to	(41,649)	(27,527)

<u>Dividends (distribution)</u>	<u>Amount per security</u>	<u>Franked amount per security</u>
Final dividend	N/A	N/A
Interim dividend	N/A	N/A
Total	N/A	N/A
Record date for determining entitlements to the dividend		N/A

Results of Operations

Revenue was US\$6.8 million during both the six months ended 31 December 2013 and the six months ended 31 December 2014.

Net loss increased from US\$27.5 million during the six months ended 31 December 2013 to US\$41.6 million during the six months ended 31 December 2014.

Basis of the Preparation of the Half Year Report

The half year report has been prepared in accordance with ASX Listing Rule 4.2A.3 and the disclosure requirements of ASX Appendix 4D.

The half year report has been prepared in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors does not recommend that a dividend relating to the six months ended 31 December 2014 be paid. As such, there is no applicable record date.

Net Tangible Assets per Security

	<u>31 December 2014</u>	<u>31 December 2013</u>
Net tangible assets per share	US(\$0.26)	US\$0.15
Net tangible assets per CDI	A(\$0.04)	A\$0.03



ALAN SHORTALL
Chairman and Chief Executive Officer

Date: 10 February 2015

Half Year Report to 31 December 2014
Unilife Corporation ARBN 141 042 757

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-34540

UNILIFE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1049354
(I.R.S. Employer
Identification No.)

250 Cross Farm Lane, York, Pennsylvania 17406
(Address of principal executive offices)

Telephone: (717) 384-3400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 6, 2015, 128,833,879 shares of the registrant's common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNILIFE CORPORATION AND SUBSIDIARIES Consolidated Balance Sheets (unaudited)

	December 31, 2014	June 30, 2014
	(in thousands, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,448	\$ 8,368
Restricted cash	2,400	2,400
Accounts receivable	4,194	1,860
Inventories	165	142
Prepaid expenses and other current assets	969	1,108
Total current assets	16,176	13,878
Property, plant and equipment, net	58,594	54,588
Goodwill	10,294	11,830
Other assets	1,362	1,472
Total assets	\$ 86,426	\$ 81,768
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 5,847	\$ 3,583
Accrued expenses	4,134	3,339
Current portion of long-term debt	974	613
Deferred revenue	2,824	717
Total current liabilities	13,779	8,252
Long-term debt, less current portion	78,278	54,835
Deferred revenue	14,300	12,550
Total liabilities	106,357	75,637
Contingencies (Note 10)		
Stockholders' (Deficit) Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized as of December 31, 2014; none issued or outstanding as of December 31, 2014 and June 30, 2014	—	—
Common stock, \$0.01 par value, 250,000,000 shares authorized as of December 31, 2014; 116,252,549 and 103,617,278 shares issued, and 116,223,879 and 103,588,608 shares outstanding as of December 31, 2014 and June 30, 2014, respectively	1,163	1,036
Additional paid-in-capital	313,171	296,169
Accumulated deficit	(335,380)	(293,731)
Accumulated other comprehensive income	1,255	2,797
Treasury stock, at cost, 28,670 shares as of December 31, 2014 and June 30, 2014, respectively	(140)	(140)
Total stockholders' (deficit) equity	(19,931)	6,131
Total liabilities and stockholders' equity	\$ 86,426	\$ 81,768

See accompanying notes to the consolidated financial statements.

UNILIFE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Revenue	\$ 5,403	\$ 3,573	\$ 6,783	\$ 6,760
Research and development	11,309	7,807	22,285	14,206
Selling, general and administrative	9,508	6,703	17,708	13,223
Depreciation and amortization	1,253	1,000	2,353	2,042
Total operating expenses	22,070	15,510	42,346	29,471
Operating loss	(16,667)	(11,937)	(35,563)	(22,711)
Interest expense	1,805	4,351	2,914	4,831
Change in fair value of financial instruments	940	—	3,170	—
Other (income) expense, net	(25)	(5)	2	(15)
Net loss	(19,387)	(16,283)	(41,649)	(27,527)
Other comprehensive loss, net:				
Foreign currency translation	707	543	1,542	282
Comprehensive loss	<u>\$(20,094)</u>	<u>\$(16,826)</u>	<u>\$(43,191)</u>	<u>\$(27,809)</u>
Net loss per share:				
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.17)</u>	<u>\$ (0.39)</u>	<u>\$ (0.29)</u>

See accompanying notes to the consolidated financial statements.

UNILIFE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Stockholders' (Deficit) Equity
(unaudited)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Treasury</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Other</u>	<u>Stock</u>	
			<u>Capital</u>		<u>Comprehensive</u>		
					<u>Income</u>		
	(In thousands, except share data)						
Balance as of July 1, 2014	103,617,278	\$1,036	\$296,169	\$ (293,731)	\$ 2,797	\$ (140)	\$ 6,131
Net loss	—	—	—	(41,649)	—	—	(41,649)
Foreign currency translation	—	—	—	—	(1,542)	—	(1,542)
Share-based compensation expense	6,826,471	68	4,660	—	—	—	4,728
Issuance of common stock from public offerings, net of issuance costs	5,808,800	59	12,342	—	—	—	12,401
Balance as of December 31, 2014	<u>116,252,549</u>	<u>\$1,163</u>	<u>\$313,171</u>	<u>\$ (335,380)</u>	<u>\$ 1,255</u>	<u>\$ (140)</u>	<u>\$(19,931)</u>

See accompanying notes to the consolidated financial statements.

UNILIFE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended December 31,	
	2014	2013
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$(41,649)	\$(27,527)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,353	2,042
Share-based compensation expense	4,728	5,271
Recognition of deferred revenue	(125)	(3,187)
Non-cash interest expense	782	3,610
Change in fair value of financial instruments	3,170	—
Changes in assets and liabilities:		
Accounts receivable	(2,260)	(1,851)
Inventories	(23)	16
Prepaid expenses and other current assets	139	71
Other assets	71	2
Accounts payable	2,243	(658)
Accrued expenses	1,634	1,211
Deferred revenue	3,908	10,000
Net cash used in operating activities	(25,029)	(11,000)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,920)	(1,798)
Net cash used in investing activities	(6,920)	(1,798)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(315)	(1,661)
Proceeds from issuance of long-term debt	20,000	—
Proceeds from the issuance of common stock, net of issuance costs	12,401	10,668
Proceeds from the exercise of options to purchase common stock	—	2,305
Payment of financing costs	(52)	—
Net cash provided by financing activities	32,034	11,312
Effect of exchange rate changes on cash	(5)	64
Net increase (decrease) in cash and cash equivalents	80	(1,422)
Cash and cash equivalents at beginning of period	8,368	5,736
Cash and cash equivalents at end of period	<u>\$ 8,448</u>	<u>\$ 4,314</u>
Supplemental disclosure of non-cash activities		
Purchases of property, plant and equipment in accounts payable and accrued expenses	<u>\$ 281</u>	<u>\$ 59</u>

See accompanying notes to the consolidated financial statements.

Unilife Corporation and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

1. Description of Business and Unaudited Financial Statements

Unilife Corporation and subsidiaries (the “Company”) is a U.S. based designer, manufacturer and supplier of innovative injectable drug delivery systems that can enhance and differentiate the injectable drugs, biologics and vaccines, or collectively injectable therapies, of its pharmaceutical and biotechnology customers. The Company has a broad portfolio of proprietary product platforms, including pre-filled syringes, drug reconstitution delivery systems, auto-injectors, wearable injectors, ocular delivery systems and other novel injectable drug delivery systems. Products within each platform are highly differentiated from competitors’ products with a series of innovative features designed to optimize the safe, simple and convenient administration of an injectable therapy. The Company sells its products directly to pharmaceutical and biotechnology companies who incorporate them into the drug-device combination product that is supplied pre-filled and ready for administration by end-users such as health-care providers or patients. Products within each of the Company’s platforms can be customized to address specific customer, therapy, patient and/or commercial requirements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying unaudited consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented as required by Rule 10-01 of Regulation S-X. Interim results may not be indicative of results for a full year. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the fiscal year ended June 30, 2014 contained in its Annual Report on Form 10-K.

References to A\$ mean the lawful currency of the Commonwealth of Australia. References to € or euros are to the lawful currency of the European Union.

2. Liquidity

The Company has incurred recurring losses from operations during the fiscal year ended June 30, 2014, and the six months ended December 31, 2014, and anticipates incurring additional losses until such time that it can generate sufficient revenue from the sale, customization, or exclusive use and licensing of its proprietary range of injectable drug delivery systems to pharmaceutical and biotechnology customers. Management has taken such steps delineated below to address its cash requirements.

In February 2015, the Company issued 12,650,000 shares of common stock and raised \$44.7 million, net of issuance costs, through an underwritten registered public offering. The Company intends to use the proceeds from the public offering for investments in its plant, equipment, systems and personnel to further develop its manufacturing and operational capabilities to satisfy current and future customer orders and for working capital and other general corporate purposes.

On March 12, 2014 (the “Closing Date”), Unilife Medical Solutions, Inc. (the “Borrower”), a wholly owned subsidiary of the Company, entered into a credit agreement (the “Credit Agreement”) with ROS Acquisition Offshore LP (together with its affiliates, successors, transferees and assignees, the “Lender” or ROS), an affiliate of OrbiMed Advisors. Pursuant to and subject to the terms of the Credit Agreement, the Lender agreed to provide term loans to the Borrower in the aggregate principal amount of up to \$60.0 million. A first tranche loan of \$40.0 million was drawn on the Closing Date and a further two tranches each of \$10.0 million (collectively, the “Loans”) were committed by the Lender. On September 30, 2014 the Borrower entered into a First Amendment to the Credit Agreement (“Amended Credit Agreement”) pursuant to which it received the proceeds from the first \$10.0 million tranche on October 1, 2014 and the proceeds from the second \$10.0 million tranche on November 10, 2014. Under the Amended Credit Agreement, Borrower’s prepayments and repayments of any unpaid principal amount of the Loans shall include a 10.0% repayment premium (with certain enumerated exceptions). The Amended Credit Agreement contains customary representations and warranties in favor of the Lender. The Amended Credit Agreement also contains certain covenants relating to financial performance and liquidity targets among others.

Concurrent with the First Amendment to the Credit Agreement, the Borrower entered into the First Amendment to the Royalty Agreement. Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay the Lender 3.875% on the first \$50.0 million of net sales in each fiscal year, plus 1.500% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.375% of net sales in excess of \$100.0 million in each fiscal year. Borrower has the right to buyout the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The buy-out amount ranges from \$9.75 million to \$26.25 million (such amount to be determined based on when the buy-out option is exercised), less amounts previously paid by Borrower to Lender pursuant to the Amended Royalty Agreement.

In October 2012, the Company entered into a Controlled Equity Offering Sales Agreement, (the “Sales Agreement”) pursuant to which the Company may, from time to time, issue and sell shares of common stock having an aggregate offering price of up to \$45.0 million. During the six months ended December 31, 2014, the Company issued 5,808,800 shares of common stock and raised approximately \$12.4 million under the Sales Agreement, which was the full remaining amount available for sale under the Sales Agreement. As a result, the Company has completed use of the facility available under the Sales Agreement.

The Company continues to have discussions with current and prospective customers for many active programs in its commercial pipeline and has executed several agreements featuring a combination of revenue streams including exclusivity fees, device customization programs, and supply contracts that have begun to generate cash payments to the Company. The Company expects to continue to execute agreements and generate additional cash payments during the remainder of fiscal year 2015. Given the substantial size, complexity, and long-term duration of many of these prospective agreements, some can take a significant amount of time to negotiate and finalize.

The Company estimates that its cash and cash equivalents, along with its restricted cash, together with the additional proceeds from the First Amendment to the Credit Agreement, proceeds raised under the Sales Agreement, and additional proceeds raised from the underwritten registered public offering, combined with anticipated cash to be generated from new and existing customer agreements are expected to provide the Company with sufficient liquidity for the next 12 months. However, there can be no assurance that such cash from customer agreements will be available when needed. These factors continue to raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Unilife Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates are principally in the areas of revenue recognition, royalty liability valuation and share-based compensation expense. Management bases its estimates on historical experience and various assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Inventories

Inventories consist primarily of syringe components and include direct materials, direct labor and manufacturing overhead. Inventories are stated at the lower of cost or market, with cost determined using the first in, first out method. The Company routinely reviews its inventory for obsolete, slow moving or otherwise impaired inventory and records the estimated impact in the periods in which they occur.

Share-Based Compensation

The Company grants equity awards to its employees, directors, consultants and service providers. Certain employee and director awards vest over stated vesting periods and others also require achievement of specific performance or market conditions. The Company expenses the grant-date fair value of awards to employees and directors over their respective vesting periods. To the extent that employee and director awards vest only upon the achievement of a specific performance

condition, expense is recognized over the period from the date management determines that the performance condition is probable of achievement through the date they are expected to be met. Awards granted to consultants and service providers are sometimes granted for past services, in which case their fair value is expensed on their grant date, while other awards require future service, or the achievement of performance or market conditions. Timing of expense recognition for consultant awards is similar to that of employee and director awards; however, aggregate expense is re-measured each quarter-end based on the then fair value of the award through the vesting date of the award. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model, with the exception of market-based grants, which are valued based on the Monte Carlo option pricing model. Option pricing methods require the input of highly subjective assumptions, including the expected stock price volatility.

Revenue Recognition

The Company recognizes revenue from industrialization and development fees, licensing fees and product sales. The Company recognizes revenue from sales of products at the time of shipment when title passes to the customer. The Company recognizes up front, non-refundable fees ratably over the expected life of the related agreement. Revenue from industrialization and development fees is recognized as services are rendered or upon achievement of the “at risk” substantive milestone events, which represent the culmination of the earnings process related to such events. Substantive milestones can include specific deliverables such as product design, prototype availability, user tests, manufacturing proof of principle and the various steps to complete the industrialization of the product. The terms of these contracts provide for customer payments to be made as services are rendered or substantive milestones are achieved. Payment terms are considered to be standard commercial terms. Revenue is recognized when each substantive milestone has been achieved and the Company has no future performance obligations related to the substantive milestone. Fees for completed substantive milestones which are dependent upon customer acceptance for non-refundable payment or, if paid, are refundable pending customer acceptance are recognized upon customer acceptance and the termination of refund rights.

Fair Value Measurements

In accordance with Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, the Company measures fair value based on a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. The fair value hierarchy is broken down into three levels based on the source of inputs.

The carrying value of financial instruments such as accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value because of the short maturity of these items. The Company believes that the current carrying amount of its long-term debt approximates fair value because the interest rates on these instruments are similar to those rates that the Company would currently be able to receive for similar instruments of comparable maturity.

The Company has elected to measure its royalty liability at fair value in accordance with ASC 825, Financial Instruments. The fair value of the royalty liability is based on significant inputs not observable in the market, which require it to be reported as a Level 3 liability within the fair value hierarchy. The valuation uses a methodology and assumptions that the Company believes would be made by a market participant. In particular, the valuation analysis uses a discounted cash flow methodology under the income approach based on the present value sum of payments to be made in the future. The fair value of the royalty liability is estimated by applying a risk adjusted discount rate to the adjusted royalty revenue stream. These fair value estimates are most sensitive to changes in the payment stream.

Interest Expense

The Company recognizes interest expense in the consolidated statement of operations and comprehensive loss for all debt instruments using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. The application of the method has the effect of recognizing expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, including fees for early redemption and all other premiums and discounts.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers”. The guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective for the Company, July 1, 2017. Early application is not permitted, but the standard permits the use of either the retrospective or cumulative effect transition method. The Company has not selected a transition method and is currently evaluating the impact this guidance will have on its financial condition, results of operations and cash flows.

In June 2014, FASB issued ASU 2014-12 “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” which is part of ASC 718: Compensation-Stock Compensation. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and not be reflected in the estimate of the grant-date fair value of the award. The guidance is effective for annual periods beginning after December 15, 2015. The guidance can be applied prospectively for all awards granted or modified after the effective date or retrospectively to all awards with performance targets outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect a material impact on its financial condition, results of operations or cash flows from the adoption of this guidance.

In August 2014, the FASB issued ASU 2014-15 “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The guidance requires an entity to perform a going concern assessment by evaluating its ability to meet its obligations for a look-forward period of one year from the financial statement issuance date. Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management’s plans. The guidance is effective for all entities for the first annual period ending after December 15, 2016 and interim periods thereafter. Early application is permitted. The Company is currently evaluating the impact this guidance will have on its financial disclosures; however, as the guidance only impacts disclosure, the adoption of this guidance is not expected to have any impact on the Company’s financial condition, results of operations and cash flows.

4. Equity Transactions and Share-Based Compensation

The Company recognized share-based compensation expense related to equity awards to employees, directors, consultants and service providers of \$2.8 million and \$2.6 million during the three months ended December 31, 2014 and 2013, respectively and \$4.7 million and \$5.3 million during the six months ended December 31, 2014 and 2013, respectively.

Stock Options and Warrants

The Company has granted stock options to certain employees and directors under the Employee Share Option Plan (the “Plan”). The Plan is designed to assist in the motivation and retention of employees and to recognize the importance of employees to the long-term performance and success of the Company. The Company has also granted stock options to certain service providers outside of the Plan. The majority of the options to purchase common stock vest on the anniversary of the date of grant, which ranges from one to three years. Additionally, certain stock options vest upon the closing price of the Company’s common stock reaching certain minimum levels, as defined in the agreements. Share-based compensation expense related to options granted to employees is recognized on a straight-line method over the related vesting term. Share-based compensation expense related to options granted to service providers is recognized ratably over each vesting tranche of the options.

In November 2009, the Company adopted the 2009 Stock Incentive Plan (the “Stock Incentive Plan”). The Stock Incentive Plan initially provided for a maximum of 6,000,000 shares of common stock to be reserved for the issuance of stock options and other stock-based awards. Commencing on January 1, 2012, and on each January 1st thereafter, through January 1, 2014, the share reserve automatically adjusted so that it was equal to 17.5% of the weighted average number of shares of common stock outstanding reduced by the sum of any shares of common stock issued under the Stock Incentive Plan and any shares of common stock subject to outstanding awards under the Stock Incentive Plan.

In November 2014 the Stock Incentive Plan was amended and restated (the “Amended and Restated 2009 Stock Incentive Plan” or “Amended Stock Plan”) to change how the number of shares of common stock that may be issued under the Amended Stock Plan is calculated to increase the number of shares of common stock available for issuance under the Amended Stock Plan by 10.0 million and to reapprove the Amended Stock Plan for purposes of refreshing the stockholder approval requirement.

In January 2010, the Company issued 1,000,000 options to purchase common stock to a consultant under the Stock Incentive Plan in consideration for various services to be performed for the Company. The options to purchase common stock are exercisable at A\$6.33 per share and vest upon the trading price of the Company’s CHESS Depositary Interests reaching certain minimum levels on the Australian Securities Exchange, which range from A\$1.75 to A\$3.22 per share. The options are re-measured each reporting date and as of December 31, 2014 were valued at \$0.005 per option, which is being expensed ratably over the vesting period of each tranche, which is less than 0.5 years. The options will be re-valued on a quarterly basis and marked to market until exercised.

The following is a summary of activity related to stock options held by employees and directors during the six months ended December 31, 2014:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of July 1, 2014	3,922,411	\$ 4.70		
Canceled	(75,000)	\$ 4.99		
Outstanding as of December 31, 2014	<u>3,847,411</u>	<u>\$ 4.69</u>	<u>4.6</u>	<u>\$ 549</u>
Exercisable as of December 31, 2014	<u>2,055,907</u>	<u>\$ 4.48</u>	<u>5.1</u>	<u>\$ 242</u>

The following is a summary of activity related to stock options and warrants held by persons other than employees and directors during the six months ended December 31, 2014:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of July 1, 2014	<u>2,050,000</u>	<u>\$ 4.67</u>		
Outstanding as of December 31, 2014	<u>2,050,000</u>	<u>\$ 4.67</u>	<u>0.9</u>	<u>\$ 276</u>
Exercisable as of December 31, 2014	<u>1,050,000</u>	<u>\$ 4.20</u>	<u>1.8</u>	<u>\$ 276</u>

The aggregate intrinsic value is defined as the difference between the market value of the Company’s common stock as of the end of the period and the exercise price of the in-the-money stock options. The total intrinsic value of stock options exercised during the six months ended December 31, 2014 and 2013 was \$0 and \$1.8 million, respectively.

The Company used the following weighted average assumptions in calculating the fair value of options granted during the six months ended December 31, 2013:

	Six Months Ended December 31, 2013
Number of stock options granted	300,000
Expected dividend yield	0%
Risk-free interest rate	1.54%
Expected volatility	55%
Expected life (in years)	5.0

The fair value of each stock option was estimated at the grant date using the Black-Scholes option pricing model. The Company has not historically paid dividends to its stockholders and, as a result, assumed a dividend yield of 0%. The risk free interest rate is based upon the rates of U.S. Treasury bonds with a term equal to the expected term of the option. The expected volatility used to value options granted after January 27, 2010 is based upon a blended rate of the historical share price of the Company's stock on the Australian Securities Exchange and the volatility of peer companies traded on U.S. exchanges operating in the same industry as the Company. The expected term of the options to purchase common stock issued to employees and directors is based upon the simplified method, which is the mid-point between the vesting date of the option and its contractual term unless a reasonable alternate term is estimated by management. The expected term of the options to purchase common stock issued to consultants and service providers is based on the contractual term of the awards.

Restricted Stock

The Company has granted shares of restricted stock to certain employees, directors and consultants under the Stock Incentive Plan. During the period prior to vesting, the holder of the non-vested restricted stock will have the right to vote and the right to receive all dividends and other distributions declared. All non-vested shares of restricted stock are reflected as outstanding; however, they have been excluded from the calculation of basic earnings per share.

For employees, the fair value of restricted stock is measured on the date of grant using the price of the Company's common stock on that date. Share-based compensation expense for restricted stock issued to employees is recognized on a straight-line basis over the requisite service period, which is generally the longest vesting period. For restricted stock granted to consultants, the fair value of the awards will be re-valued on a quarterly basis and marked to market until vested. Share-based compensation expense for restricted stock issued to consultants is recognized ratably over each vesting tranche.

On November 13, 2014, the shareholders approved the issuance of 4,000,000 shares of restricted stock to the Company's Chairman and Chief Executive Officer. The restricted stock was granted on November 14, 2014 and is subject to performance-based vesting and also contains service-based clawback provisions. The performance-based vesting will become satisfied based upon the trading price of the Company's common stock reaching certain minimum levels on NASDAQ for a minimum of 20 out of 30 consecutive trading days, which range from \$6.00 to \$12.00 per share. The restricted stock was valued at \$1.885 per share on the grant date using a Monte Carlo simulation model which is being expensed ratably over the projected vesting period, which is approximately 2.6 years. The restricted stock would be forfeited to the extent not vested on the fifth anniversary of the grant date. In addition, if prior to the fourth anniversary of the grant date he resigns from employment or is terminated for cause, a specified percentage of the previously vested shares would be required to be returned, which ranges from 100% prior to the first anniversary of the grant date to 25%, on or after the third anniversary of the grant date.

The following is a summary of activity related to restricted stock awards during the six months ended December 31, 2014:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested as of July 1, 2014	2,436,061	\$ 3.42
Granted	6,375,000	2.43
Vested	(421,333)	3.30
Cancelled	(93,125)	3.31
Unvested as of December 31, 2014	8,296,603	\$ 2.67

5. Property, Plant and Equipment and Construction-in-Progress

Property, plant and equipment consist of the following:

	December 31, 2014	June 30, 2014
	(in thousands)	
Building	\$ 32,188	\$ 32,188
Machinery and equipment	23,761	21,224
Computer software	2,775	2,675
Furniture and fixtures	613	610
Construction in progress	12,550	9,119
Land	2,036	2,036
Leasehold improvements	170	166
	74,093	68,018
Less: accumulated depreciation and amortization	(15,499)	(13,430)
Property, plant and equipment, net	<u>\$ 58,594</u>	<u>\$ 54,588</u>

Construction in progress as of December 31, 2014 consisted primarily of amounts incurred in connection with machinery and equipment including interest expense incurred during the construction phase of the related machinery and equipment. Interest capitalized during the three and six month periods ended December 31, 2014 was \$0.4 million and \$1.0 million, respectively.

6. Goodwill

The changes in the carrying amount of goodwill during the six months ended December 31, 2014 are as follows:

	(in thousands)
Balance as of July 1, 2014	\$ 11,830
Foreign currency translation	(1,536)
Balance as of December 31, 2014	<u>\$ 10,294</u>

7. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2014	June 30, 2014
	(In thousands)	
Accrued payroll and other employee related expenses	\$ 3,689	\$ 2,103
Accrued other	445	1,236
Total accrued expenses	<u>\$ 4,134</u>	<u>\$ 3,339</u>

8. Long-Term Debt

Long-term debt consists of the following:

	<u>December 31, 2014</u>	<u>June 30, 2014</u>
	(In thousands)	
10.25% Term loan, due March 2020	\$ 54,406	\$ 33,457
Royalty agreement liability	9,570	6,400
6.00% Mortgage loan, due December 2031	13,023	13,228
5.00% Commonwealth of Pennsylvania financing authority loan, due January 2021	2,061	2,087
Other	192	276
	<u>79,252</u>	<u>55,448</u>
Less: current portion of long-term debt	974	613
Total long-term debt	<u>\$ 78,278</u>	<u>\$ 54,835</u>

Term Loan

On March 12, 2014, or the Closing Date, the Borrower entered into the Credit Agreement with the Lender. Pursuant to and subject to the terms of the Credit Agreement, the Lender agreed to provide term loans to the Borrower in the aggregate principal amount of up to \$60.0 million. A first tranche loan of \$40.0 million was drawn on the Closing Date and a further two tranches each of \$10.0 million were committed by the Lender and were to be funded on each of December 15, 2014 and June 15, 2015, subject to and in accordance with the terms of the Credit Agreement. On September 30, 2014 the Borrower entered into a First Amendment to the Credit Agreement to accelerate the funding of the two additional tranches pursuant to which it received the proceeds from the first \$10.0 million tranche on October 1, 2014 and the proceeds from the second \$10.0 million tranche on November 10, 2014.

The Loans bear interest at 9.25% per annum plus the greater of three-month LIBOR or 1.0%, payable in cash quarterly in arrears and as otherwise described in the Amended Credit Agreement. A default interest rate of 14.25% per annum plus the greater of three-month LIBOR or 1.0% shall apply during the existence of a default under the Amended Credit Agreement. The Loans will be interest-only until March 12, 2020 (the "Maturity Date").

Unless the loan facility is otherwise terminated earlier pursuant to the terms of the Amended Credit Agreement, the Borrower is required to repay in full the unpaid principal amount of the Loans drawn down, together with all accrued and unpaid interest thereon plus a 10.0% repayment premium on Maturity Date. The Borrower can make voluntary repayments at any time of any unpaid principal amount of the Loans, plus a 10.0% repayment premium. The Borrower must make mandatory prepayments in certain prescribed circumstances, including, without limitation, certain dispositions of assets and certain casualty events. In such events, the Borrower must prepay to Lender 100% of the net cash proceeds received.

The obligations of the Borrower under the Amended Credit Agreement are guaranteed by the Company and each of its subsidiaries and the Amended Credit Agreement is secured by the assets of the Company and its subsidiaries. The security interests granted by Borrower, the Company, Unilife Cross Farm LLC ("Cross Farm"), Unilife Medical Solutions Limited ("USML") and Unitract Syringe Pty Limited ("Unitract Syringe") are evidenced by, among other things, the Pledge and Security Agreement, dated as of March 14, 2014, by the Borrower, the Company, Cross Farm, USML, and Unitract Syringe in favor of Lender, for itself and as agent for Royalty Opportunities S.A.R.L. ("ROS"), the Mortgage and Security Agreement, dated March 12, 2014, by and between Cross Farm and Lender, for itself and as agent of ROS, and the General Security Deed, dated as of March 12, 2014, by Unitract Syringe, USML, and the Company in favor of the Lender, for itself and as agent of ROS.

The Amended Credit Agreement also contains certain customary covenants, as well as covenants relating to achieving minimum cash revenue targets at the end of each calendar year, maintaining minimum liquidity targets, and the execution of certain customer and employment agreements in form and substance satisfactory to lender. In the event of default, Borrower must prepay to Lender any unpaid principal amount of the loans drawn down, together with all accrued and unpaid interest thereon plus a 10.0% repayment premium. An event of default could also result in the Lender enforcing its security over the assets of Borrower, the Company, Cross Farm, USML and Unitract Syringe in accordance with the terms of the OrbiMed Credit Agreement and the related security agreements. The Company is in compliance with all the loan covenants set forth in the Amended Credit Agreement.

In connection with the Credit Agreement, the Borrower entered into a royalty agreement (the “Royalty Agreement”) with ROS which will entitle ROS to receive royalty payments. Concurrent with the First Amendment to the Credit Agreement, the Borrower entered into the First Amendment to the Royalty Agreement (“Amended Royalty Agreement”). Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay the Lender 3.875% on the first \$50.0 million of net sales (on a cash receipts basis as defined in the Amended Credit Agreement) in each fiscal year, plus 1.500% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.375% of net sales in excess of \$100.0 million in each fiscal year. Borrower has the right to buyout the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The lender has the right to exercise a put option upon the occurrence of an event of default upon which the Borrower would be required to pay the buyout amount under the Amended Royalty Agreement. The buy-out amount ranges from \$9.75 million to \$26.25 million (such amount to be determined based on when the buy-out or put option is exercised), less amounts previously paid by Borrower to Lender pursuant to the Amended Royalty Agreement. The Amended Royalty Agreement has a term commencing on the Closing Date and ending on the earlier of (i) the tenth anniversary of the Closing Date and (ii) the date of payment of the purchase price pursuant to the exercise of a put option by the Lender or the exercise of a buy-out option by the Borrower. As the Company has elected to value the Amended Royalty Agreement at fair value, the put option feature does not meet the criterion of ASC 815-15-25-1b and thus is not separated from the host contract and accounted for as a derivative instrument.

The Company determined that the Credit Agreement and the Royalty Agreement should be accounted for as two separate units. Accordingly, the Company allocated the proceeds from the Loans on a residual basis between the two units based on their relative fair values. As a result, on the Closing Date, the Royalty liability was determined to have a fair value of \$7.0 million and the Loan was allocated the remaining proceeds of \$33.0 million. The \$20.0 million from the two additional tranches that were funded during the three months ended December 31, 2014 was reflected as incremental debt. The Loan will be accreted to the face value over the loan term based on the effective interest rate. The Royalty liability will be adjusted to fair value on a quarterly basis. As of December 31, 2014, the fair value of the Royalty liability was \$9.6 million.

There are cross-defaults in the OrbiMed Amended Credit Agreement, Metro Bank Loan and Keystone/CFA Loan, so that a default under one agreement could trigger a default under the others. Metro Bank, the Lender under the OrbiMed Amended Credit Agreement, Keystone Redevelopment Group, LLC and Commonwealth Financing Authority are parties to an intercreditor agreement.

Mortgage Loan

In October 2010, Cross Farm entered into the Loan Agreement with Metro Bank, pursuant to which Metro Bank provided Cross Farm with two mortgage loans in the amounts of \$14.25 million (“First Mortgage”) and \$3.75 million (“Second Mortgage”). The proceeds received were used to finance the purchase of land and construction of the Company’s corporate headquarters and manufacturing facility in York, Pennsylvania. In connection with the Credit Agreement, the Company entered into the Metro Bank Amendment pursuant to which the Second Mortgage due October 2020 was repaid. Cross Farm is paying principal and interest on the First Mortgage, with interest at a fixed rate of 6.00%.

The Original Metro Loan Document contains certain customary covenants, including the maintenance of a Debt Service Reserve Account in the amount of \$2.4 million, classified as restricted cash on the consolidated balance sheet, which will remain in place until Cross Farm and Metro agree on the financial covenants. The terms of the Original Metro Loan Documents allow the Company to use the Debt Service Reserve Account to pay monthly debt service on the mortgage loans, so long as the balance in the account is at least \$1.6 million and is replenished to \$2.4 million every six months. The Company was in compliance with its debt covenants as of December 31, 2014. However, there can be no assurance that the Company will be able to maintain the Debt Service Reserve Account balance for a period of 12 months from December 31, 2014. Cross Farm may prepay the loan without penalty. The U.S. Department of Agriculture has guaranteed \$8.0 million of the mortgage loan due December 2031. In connection with the First Mortgage, the Company has given Metro Bank a lien on the building and real estate and the debt service reserve account.

Commonwealth of Pennsylvania Financing Authority Loan

In December 2010, Cross Farm received a \$2.25 million loan from the Commonwealth of Pennsylvania for land and the construction of its current manufacturing facility. The loan bears interest at a rate of 5.00% per annum, matures in January 2021 and is secured by a third mortgage on the facility. In connection with the loan agreement, Cross Farm entered into an intercreditor agreement by which the Commonwealth of Pennsylvania agreed that it would not exercise its rights in the event of a default by Cross Farm without the consent of Metro Bank, which holds the first mortgage on the facility.

9. Net Loss Per Share

The Company's net loss per share is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
(In thousands, except share and per share data)				
Numerator				
Net loss	\$ (19,387)	\$ (16,283)	\$ (41,649)	\$ (27,527)
Denominator				
Weighted average number of shares used to compute basic net loss per share	107,577,451	97,868,961	106,314,859	95,851,282
Effect of dilutive options to purchase common stock	—	—	—	—
Weighted average number of shares used to compute diluted net loss per share	107,577,451	97,868,961	106,314,859	95,851,282
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.17)</u>	<u>\$ (0.39)</u>	<u>\$ (0.29)</u>

Due to the Company's net losses, unvested shares of restricted stock (participating securities) totaling 5,501,578 and 2,612,449 were excluded from the calculation of basic and diluted net loss per share during the three months ended December 31, 2014 and 2013, respectively and unvested shares of restricted stock (participating securities) totaling 3,951,815 and 2,880,150 were excluded from the calculation of basic and diluted net loss per share during the six months ended December 31, 2014 and 2013, respectively.

In addition, stock options (non-participating securities) totaling 3,663,407 and 5,244,095 during the three months ended December 31, 2014 and 2013, respectively, were excluded from the calculation of diluted net loss per share and stock options (non-participating securities) totaling 3,663,407 and 5,763,630 during the six months ended December 31, 2014 and 2013, respectively, were excluded from the calculation of diluted net loss per share, as their effect would have been anti-dilutive. Certain of these stock options were excluded solely due to the Company's net loss position. Had the Company reported net income during the three months ended December 31, 2014 and 2013, these shares would have had an effect of 99,609 and 207,119 diluted shares, respectively, for purposes of calculating diluted net loss per share. Had the Company reported net income during the six months ended December 31, 2014 and 2013, these shares would have had an effect of 73,809 and 351,346 diluted shares, respectively, for purposes of calculating diluted net loss per share.

10. Contingencies

From time to time, the Company is involved in various legal proceedings, claims, suits and complaints arising out of the normal course of business. Based on the facts currently available to the Company, management believes that these claims, suits and complaints are adequately provided for, covered by insurance, without merit or not probable that an unfavorable outcome will result.

On September 7, 2012, the Company received a letter from counsel for Talbot (Todd) Smith, a former employee, alleging that Mr. Smith was wrongly terminated. Mr. Smith, who was terminated "for cause" by the Company, filed a complaint with the U.S. Occupational Safety and Health Administration (OSHA) in November 2012. The Company and various third parties have investigated the allegations made by Mr. Smith and have determined that his allegations are without merit. The Company believes the allegations made by Mr. Smith against it are in retaliation for his "for cause" termination and defended itself vigorously in the OSHA matter. Because OSHA did not make a final determination on Mr. Smith's complaint within 180 days, Mr. Smith filed a civil complaint in the United States District Court for the Eastern District of Pennsylvania on August 30, 2013 and an amended complaint on March 5, 2014 against the Company and various officers of the Company. OSHA accordingly dismissed the OSHA matter without a final determination. The complaint filed

in the District Court makes the same allegations made by Mr. Smith in the OSHA complaint and also includes a defamation claim. To the extent that the allegations made by Mr. Smith in the District Court are nearly identical to those made in his OSHA complaint, the Company and various third parties have investigated his allegations previously and have determined that the allegations are without merit, and the Company intends to defend itself vigorously in the District Court action. After Mr. Smith disclosed a violation of the Pennsylvania Wire Tapping and Electronic Surveillance Control Act (PA Wiretapping Act) during the pendency of discovery in the District Court action, on June 20, 2014 the Company filed counterclaims against Mr. Smith for his violation of the PA Wiretapping Act. The District Court action is currently in discovery.

As previously disclosed, subsequent to the filing of the OSHA complaint by Mr. Smith, the Company received a subpoena from the staff of the U.S. Securities and Exchange Commission (the "Staff") requesting the Company to provide certain information to the Staff, which is generally consistent with the meritless allegations made by Mr. Smith in his OSHA complaint. In his complaint filed in the United States District Court for the Eastern District of Pennsylvania, Mr. Smith states that he provided the Staff with information about his allegations in July and August 2012. The Company responded to that subpoena and has received additional subpoenas from the Staff, requesting additional information consistent with the first subpoena. The Company is cooperating fully with the Staff and is providing the requested information.

On January 8, 2014, the Company was served with a derivative complaint filed in the Delaware Chancery Court by Cambridge Retirement System, a purported stockholder of the Company, against its Board of Directors to recover allegedly "excessive and wasteful" compensation paid to the non-executive directors since 2010. The Company believes that these allegations are baseless and without merit and the Company and the directors are defending themselves vigorously. In February 2014, the Company filed a motion to dismiss the complaint in lieu of an answer. On June 26, 2014, the Court granted the Company's motion to dismiss with respect to the directors' equity grants, but denied the motion with respect to their cash compensation. The Company filed an answer to the remaining claims on July 11, 2014. The action is currently in discovery.

The Company does not believe there will be any material impact to the Company or its business as a result of these matters.

11. Revenue

The Company recognized \$5.4 million and \$3.6 million of revenue during the three months ended December 31, 2014 and 2013, respectively. The Company recognized \$6.8 million and \$6.8 million of revenue during the six months ended December 31, 2014 and 2013, respectively.

During the three months ended December 31, 2014 two customers accounted for 60% and 28% of consolidated revenue, respectively. During the three months ended December 31, 2013 four customers accounted for 32%, 27%, 23% and 14% of consolidated revenue, respectively. During the six months ended December 31, 2014 two customers accounted for 48% and 34% of consolidated revenue, respectively. During the six months ended December 31, 2013 four customers accounted for 33%, 27%, 17% and 12% of consolidated revenue, respectively.

During the three and six months ended December 31, 2014, the Company recognized \$3.0 million and \$3.2 million, respectively, in revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Substantive milestones completed during the period included various customization activities, device design, devices developed for use in customer evaluation testing, compatibility testing, user studies, and verification activities.

During the three and six months ended December 31, 2014, the Company recognized \$2.4 million and \$3.6 million, respectively, in revenue related to services rendered on a time and materials basis, proportional performance method and straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services.

During both the three and six months ended December 31, 2013, the Company recognized \$2.6 million in revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Milestones completed during the period included various customization activities, device design, devices developed for use in customer evaluation testing, compatibility testing, user studies, and verification activities.

During the three and six months ended December 31, 2013, the Company recognized \$1.0 million and \$1.9 million, respectively, in revenue related to services rendered on a time and materials basis during the period pursuant to customer agreements to provide various customization and development services. During the six months ended December 31, 2013, the Company recognized the final \$2.3 million of revenue related to its licensing agreement with Sanofi.

12. Financial Instruments

The Company does not hold or issue financial instruments for trading purposes. The estimated fair values of the Company's financial instruments are as follows:

	December 31, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In thousands)				
Royalty agreement liability	\$ 9,570	\$ 9,570	\$ —	\$ —

The carrying amount of the Company's cash equivalents, which includes certificates of deposit, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short term maturities of these items. The estimated fair value of the Company's debt approximates its carrying value based upon the rates that the Company would currently be able to receive for similar instruments of comparable maturity.

The Company categorizes its assets and liabilities measured at fair value into a fair value hierarchy that prioritizes the inputs used in pricing the asset or liability. The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The levels in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the Company's liabilities that are measured at fair value on a recurring basis for the periods presented:

	Fair Value Based On			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
(In thousands)				
Royalty Agreement liability	\$ —	\$ —	\$ 9,570	\$ 9,570

The following table presents the changes in the fair value of the level 3 financial instruments for the six months ended December 31, 2014. There were no level 3 financial instruments for the six months ended December 31, 2013:

	Royalty Agreement Liability
June 30, 2014	\$ 6,400
Increase in royalty liability	3,170
December 31, 2014	\$ 9,570

Following is a description of the valuation methodology used to measure the Royalty Agreement liability at fair value. There have been no changes in the methodology used during the six months ended December 31, 2014:

The fair value is based on a discounted cash flow methodology under the income approach based on the present value sum of payments expected to be made in the future. The fair value is estimated by applying a risk adjusted discount rate to the expected royalty payment stream. These fair value estimates are most sensitive to changes in the payment stream.

13. Subsequent Event

In February 2015, the Company issued 12,650,000 shares of common stock and raised \$44.7 million, net of issuance costs, through an underwritten registered public offering. The Company intends to use the proceeds from the public offering for investments in its plant, equipment, systems and personnel to further develop its manufacturing and operational capabilities to satisfy current and future customer orders and for working capital and other general corporate purposes.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Unilife Corporation:

We have reviewed the consolidated balance sheet of Unilife Corporation and subsidiaries as of December 31, 2014, the related consolidated statements of operations and comprehensive loss for the three-month and six-month periods ended December 31, 2014 and 2013, the related consolidated statement of stockholders' (deficit) equity for the six-month period ended December 31, 2014, and the related consolidated statements of cash flows for the six-month periods ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Unilife Corporation and subsidiaries as of June 30, 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated September 15, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of June 30, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Note 2 of Unilife Corporation's audited consolidated financial statements as of June 30, 2014, and for the year then ended, discloses that the Company had incurred recurring losses from operations and has limited cash resources. Our auditors' report on those consolidated financial statements dated September 15, 2014, includes an explanatory paragraph referring to the matters in note 2 of those consolidated financial statements, and indicating that these matters raised substantial doubt about the Company's ability to continue as a going concern. As indicated in note 2 of the Company's unaudited interim consolidated financial statements as of December 31, 2014, and for the three- and six-month periods then ended, the Company has continued to incur losses from operations and has limited cash resources. The accompanying interim financial information does not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Harrisburg, Pennsylvania
February 9, 2015

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Information

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis includes certain forward-looking statements that involve risks, uncertainties and assumptions. You should review the "Risk Factors" section of our Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by such forward-looking statements.

Certain statements in this Quarterly Report on Form 10-Q may constitute forward looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to our management. Our management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K and those described from time to time in other reports which we file with the Securities and Exchange Commission.

Overview

We are a designer, manufacturer and supplier of innovative injectable drug delivery systems that can enhance and differentiate the injectable therapies of our customers. We have a broad portfolio of proprietary product platforms, including pre-filled syringes, drug reconstitution delivery systems, auto-injectors, wearable injectors, ocular delivery systems and other novel injectable drug delivery systems. Products within each platform are highly differentiated from competitors' products with a series of innovative features designed to optimize the safe, simple and convenient administration of an injectable therapy. We sell our products directly to pharmaceutical and biotechnology companies who incorporate them into the drug-device combination product that is supplied pre-filled and ready for administration by end-users such as health-care providers or patients. Products within each of our platforms can be customized by us to address specific customer, therapy, patient and/or commercial requirements.

Key Factors Affecting Performance and Financial Condition

We have entered into several agreements with our customers including customers with whom we have entered into a customization or supply agreement and customers with whom we have entered into preliminary agreements such as letters of intent. The customization, industrialization and development fees and other payments received from customers in connection with these agreements and development programs accounted for the majority of our revenue during the three and six month periods ended December 31, 2014. We also increased expenses during the three and six month periods ended December 31, 2014 as a result of investments in expanding our manufacturing capacity and increased research and development efforts, both in response to increasing demand from our customers for our products and services.

Longer customer development timelines and increases in capital expenses and headcount have impacted us from a liquidity standpoint. Historically, we have funded our operations primarily from a combination of term loans, equity issuances, borrowings under our bank mortgages, and payments from various customers. In recent years we have addressed our capital needs through the use of an "At-The-Market" equity offering, pursuant to which we, from time to time, issued and sold shares of common stock having an aggregate offering price of \$45.0 million, customization, industrialization and development fees received from our customers, and our debt financing from an affiliate of OrbiMed Advisors, or OrbiMed, in March 2014. In February 2015, we issued 12,650,000 shares of common stock and raised \$44.7 million, net of issuance costs, through an underwritten registered public offering.

Revenue

Our revenue is currently generated from customization, industrialization, licensing and development fees (many of which are recognized on the milestone basis of accounting). Customization, industrialization, development and licensing fees accounted for substantially all of our consolidated revenue for the three and six month periods ended December 31, 2014. We expect that product sales, which historically have not had a meaningful impact on our revenue, will begin to account for an increasing portion of our revenue as we increase commercial sales to customers during the latter part of fiscal year 2015 and beyond.

We expect our revenue to increase as we continue to deliver under our existing contracts with our customers and enter into additional agreements with new and existing customers. We also expect that our future revenue will be favorably impacted by several trends in the industry, including a shift in the focus of large pharmaceutical and biotechnology companies' product development activities to biologic therapies, an emphasis within health-care providers to patient self-administration and a growing demand for passive safety for injectable drug delivery.

Operating Expenses

Our operating expenses have increased primarily as a result of the increased research and development efforts, both in response to increasing demand from our customers for our products and services. We increased our cross-functional research and development teams of engineers and other staff that are dedicated to servicing existing and prospective customers. The increase in research and development costs also related to the costs of products and components supplied to existing and prospective customers to support evaluation processes and user studies that are typically undertaken prior to the anticipated signing of customer agreements.

Significant Developments in the Industry

We believe that recently signed customer contracts and future customer contracts expected to be signed with existing and prospective customers, as a result of ongoing discussions, will provide significant revenue growth in relation to prior periods. Known trends in the industry that we believe will have a material favorable impact on our revenue include a shift in the focus of large pharmaceutical and biotechnology companies' product development activities to biologic therapies, an emphasis within health-care providers to patient self-administration and a growing demand for passive safety for injectable drug delivery. There has been a marked shift in the product development activities of large customers toward biologic therapies, and the majority of therapies in the pipeline of large pharmaceutical and biotechnology companies are complex biologic therapies. The characteristics of many of these therapies (including, for example, large dose volumes and increased viscosity) necessitates administration by injection using innovative injectable drug delivery systems such as our products. We believe that we are well-positioned to meet what we expect to be a growing demand for innovative injectable drug delivery systems in light of the focus on biologic therapies. Concurrently with the shift toward biologic therapies is an emphasis towards patient self-administration. Patient self-administration is viewed as a growing trend in order to reduce demand pressure on the health-care system as well as reducing costs, especially for treatment of chronic illnesses. Devices suitable for self-administration of injectable therapies need to be safe and intuitive to use. We believe that many of our products, including prefilled syringes, drug reconstitution delivery systems, auto-injectors, and wearable injectors, are well suited for safe and intuitive patient self-administration of injectable therapies and that we will be able to meet the expected increase in demand for such products.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This requires management to make certain estimates, judgments and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes.

Our critical accounting policies and estimates are described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K. There have been no changes in critical accounting policies in the current year from those described in our Annual Report on Form 10-K.

Basis of Presentation

Revenue

We derive revenue primarily from customization, industrialization and development programs with our customers. The agreements with our customers generally provide for fees to be paid to us for providing specific products or services. Certain of these agreements provide for fees to be paid upon completion of certain agreed-upon milestones. In instances where these milestones are substantive, we recognize revenue when these agreed-upon substantive milestones have been completed and there is no further performance obligation related to the substantive milestone. Certain of our agreements provide for fees to be paid for specific services to be rendered or the provision of certain deliverables and we recognize revenue upon completion of the related service or deliverable. Certain of our agreements provide for fees to be paid on an ongoing basis over the life of the agreement for agreed-upon services, and we recognize revenue ratably over the requisite service period. We also recognize revenue on certain agreements under the proportional performance method.

Operating expenses

Operating expenses primarily include costs related to research and development, selling, general and administrative expenses, as well as depreciation and amortization expense.

Research and development costs

Research and development costs consist primarily of payroll and related personnel expenses (including share-based compensation expense), fees paid to external service providers, costs of materials, components and supplies, costs for facilities, tooling and equipment and costs related to customization and development service arrangements and developing prototype products and samples used for various evaluation, testing and related activities for existing and potential customers.

Selling, general and administrative costs

Selling, general and administrative costs include marketing and commercial development costs, quality assurance and regulatory costs, accounting and financial related costs, information and technology costs, legal and professional fees, corporate facility costs, corporate payroll and related benefit costs (including share-based compensation expense).

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets, which range from 40 years for our York, Pennsylvania facility to 2 to 15 years for machinery, equipment, furniture and software and the lesser of the lease term or estimated useful life for leasehold improvements. Intangible assets are being amortized using the straight-line method over their estimated useful lives up to 15 years.

Interest expense

Interest expense includes the cash and non-cash interest cost for all debt instruments. Interest expense is recognized under the effective interest method such that non-cash interest includes the additional expense recognized over and above the cash interest paid during a period as a result of the application of the effective interest method.

Net loss

Net loss includes the results from revenue recognized during the period after deducting all operating and non-operating expenses.

Results of Operations

The following table summarizes our results of operations for the three and six months ended December 31, 2014 and 2013:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Revenue	\$ 5,403	\$ 3,573	\$ 6,783	\$ 6,760
Research and development	11,309	7,807	22,285	14,206
Selling, general and administrative	9,508	6,703	17,708	13,223
Depreciation and amortization	1,253	1,000	2,353	2,042
Total operating expenses	22,070	15,510	42,346	29,471
Operating loss	(16,667)	(11,937)	(35,563)	(22,711)
Interest expense	1,805	4,351	2,914	4,831
Change in fair value of financial instruments	940	—	3,170	—
Other (income) expense, net	(25)	(5)	2	(15)
Net loss	<u>\$(19,387)</u>	<u>\$(16,283)</u>	<u>\$(41,649)</u>	<u>\$(27,527)</u>
Net loss per share:				
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.17)</u>	<u>\$ (0.39)</u>	<u>\$ (0.29)</u>

Three Months Ended December 31, 2014 Compared to Three Months Ended December 31, 2013

Revenue. Revenue increased by \$1.8 million or 51.2%. During the three months ended December 31, 2014, we recognized approximately \$3.0 million of revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Substantive milestones completed during the period included various customization activities, device design, devices developed for use in customer evaluation testing, compatibility testing, user studies, and verification activities. During the three months ended December 31, 2014, we recognized \$2.4 million in revenue related to services rendered on a time and materials basis, proportional performance method and straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services. During the three months ended December 31, 2013, we recognized approximately \$2.6 million of revenue related to substantive milestones that were completed during the period and \$1.0 million in revenue related to services rendered on a time and materials basis during the period pursuant to customer agreements to provide various customization and development services. We expect future revenue to continue to increase as we deliver under the customer agreements we have previously entered into and from additional customer agreements that we expect to enter into in future periods.

Research and development expenses. Research and development expenses increased by \$3.5 million or 44.8% primarily due to increased payroll and related costs of \$1.6 million related to increased headcount to support ongoing and future customer programs, increased material and tooling costs of \$1.8 million, and increased third party contracting costs of \$0.6 million related to customer programs, which was partially offset by lower share-based compensation expense of \$0.5 million. The increased investment in research and development during the current period is related to the supply of products and components to existing customers including for customization, industrialization and development programs and prospective customers to support evaluation processes and user studies that are typically undertaken prior to the anticipated signing of contracts. We expect to continue our investment in research and development as we service existing customers and enter into additional customer agreements in future periods.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by \$2.8 million or 41.8% primarily due to increased legal and professional fees of \$1.1 million, increased share-based compensation expense of \$0.7 million, increased payroll and related costs of \$0.5 million and increased other administrative costs of \$0.5 million.

Depreciation and amortization expense. Depreciation and amortization expense increased by \$0.3 million or 25.3% primarily as a result of additional equipment previously placed in service.

Interest expense. Interest expense decreased by \$2.5 million or 58.5% primarily attributable to the settlement agreement with Varilease in the prior period of \$3.9 million as well as \$0.6 million as a result of debt which was refinanced and interest which was capitalized. These decreases were partially offset by interest on the OrbiMed financing of \$2.0 million.

Change in fair value of financial instruments. Change in fair value of financial instruments increased by \$0.9 million in the current quarter. The increase is related to the change in the fair value of the Royalty liability in connection with the OrbiMed financing which is revalued each quarter and is a result of the amendment entered into on September 30, 2014 which accelerated the second and third tranches of \$10.0 million each in exchange for an increase in the royalty payments to be made over the term of the debt.

Net loss and net loss per share. Net loss during the three months ended December 31, 2014 and 2013 was \$19.4 million and \$16.3 million, respectively. Basic and diluted net loss per share was \$0.18 and \$0.17, respectively, on weighted average shares outstanding of 107,577,451 and 97,868,961. The increase in the weighted average shares outstanding was primarily due to the issuance of common stock in connection with shares issued under the Sales Agreement.

Six Months Ended December 31, 2014 Compared to Six Months Ended December 31, 2013

Revenue. Revenue increased by less than \$0.1 million. During the six months ended December 31, 2014, we recognized approximately \$3.2 million of revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Substantive milestones completed during the period included various customization activities, device design, devices developed for use in customer evaluation testing, compatibility testing, user studies, and verification activities. During the six months ended December 31, 2014, we recognized \$3.6 million in revenue related to services rendered on a time and materials basis, proportional performance method and straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services. During the six months ended December 31, 2013, we recognized approximately \$2.6 million of revenue related to substantive milestones that were completed during the period and \$1.9 million in revenue related to services rendered on a time and materials basis during the period pursuant to customer agreements to provide various customization and development services. Also during the six month period ended December 31, 2013, we recognized \$2.3 million of revenue related to our former agreement with Sanofi.

Research and development expenses. Research and development expenses increased by \$8.1 million or 56.9% primarily due to increased payroll and related costs of \$3.3 million related to increased headcount to support ongoing and future customer programs, increased material and tooling costs of \$4.4 million, and increased third party contracting costs of \$1.1 million related to customer programs, which was partially offset by lower share-based compensation expense of \$0.7 million. The increased investment in research and development during the current period is related to the supply of products and components to existing customers including for customization, industrialization and development programs and prospective customers to support evaluation processes and user studies that are typically undertaken prior to the anticipated signing of contracts. We expect to continue our investment in research and development as we service existing customers and enter into additional customer agreements in future periods.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by \$4.5 million or 33.9% primarily due to increased legal and professional fees of \$2.2 million, increased payroll and related costs of \$1.2 million, increased share-based compensation expense of \$0.1 million and increased other administrative costs of \$1.0 million.

Depreciation and amortization expense. Depreciation and amortization expense increased by \$0.3 million or 15.2% primarily as a result of additional equipment previously placed in service.

Interest expense. Interest expense decreased by \$1.9 million or 39.7% primarily attributable to the settlement agreement with Varilease in the prior year period of \$3.9 million as well as \$1.4 million as a result of debt which was refinanced and interest which was capitalized. These decreases were partially offset by interest on the OrbiMed financing of \$3.4 million,

Change in fair value of financial instruments. Change in fair value of financial instruments increased by \$3.2 million in the current period. The increase is related to the change in the fair value of the Royalty liability in connection with the OrbiMed financing which is revalued each quarter and is a result of the amendment entered into on September 30, 2014 which accelerated the second and third tranches of \$10.0 million in exchange for an increase in the royalty payments to be made over the term of the debt.

Net loss and net loss per share. Net loss during the six months ended December 31, 2014 and 2013 was \$41.6 million and \$27.5 million, respectively. Basic and diluted net loss per share was \$0.39 and \$0.29, respectively, on weighted average shares outstanding of 106,314,859 and 95,851,282. The increase in the weighted average shares outstanding was primarily due to the issuance of common stock in connection with shares issued under the Sales Agreement.

Liquidity and Capital Resources

To date, we have funded our operations primarily from a combination of term loans, equity issuances, borrowings under our bank mortgages, and payments from various customers. As of December 31, 2014, cash and cash equivalents were \$8.4 million, restricted cash was \$2.4 million and our long-term debt was \$79.3 million. As of June 30, 2014, cash and cash equivalents were \$8.4 million, restricted cash was \$2.4 million and our long-term debt was \$55.4 million. The restricted cash relates to amounts that must remain in cash deposits under our loan agreement with Metro Bank.

On March 12, 2014, we entered into the Credit Agreement with an affiliate of OrbiMed Advisors (“Lender”). Under the terms of the Credit Agreement, the Lender agreed to provide term loans to us in the aggregate principal amount of up to \$60.0 million. A first tranche loan of \$40.0 million was drawn on the Closing Date and a further two tranches each of \$10.0 million were committed by the Lender and were to be funded on each of December 15, 2014 and June 15, 2015, subject to and in accordance with the terms of the Credit Agreement. On September 30, 2014 we entered into a First Amendment to the Credit Agreement pursuant to which we received the proceeds from the first \$10.0 million tranche on October 1, 2014 and the proceeds from the second \$10.0 million tranche on November 10, 2014. Under the Amended Credit Agreement, Borrower’s prepayments and repayments of any unpaid principal amount of the Loans shall include a 10.0% repayment premium (with certain enumerated exceptions). The Amended Credit Agreement contains customary representations and warranties in favor of the Lender. The Amended Credit Agreement also contains certain covenants relating to financial performance, liquidity targets among others.

Concurrent with the First Amendment to the Credit Agreement, we entered into the First Amendment to the Royalty Agreement. Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay the Lender 3.875% on the first \$50.0 million of net sales in each fiscal year, plus 1.500% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.375% of net sales in excess of \$100.0 million in each fiscal year. Borrower has the right to buyout the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The buy-out amount ranges from \$9.75 million to \$26.25 million (such amount to be determined based on when the buy-out option is exercised), less amounts previously paid by Borrower to Lender pursuant to the Amended Royalty Agreement.

During October 2012, we entered into the Sales Agreement, pursuant to which we may, from time to time, issue and sell shares of common stock having an aggregate offering price of up to \$45.0 million. During the six months ended December 31, 2014, we issued 5,808,800 shares of common stock and raised approximately \$12.4 million under the Sales Agreement, which was the full remaining amount available for sale under the Sales Agreement. As a result, we have completed use of the full facility available under the Sales Agreement.

In February 2015, we issued 12,650,000 shares of common stock and raised \$44.7 million, net of issuance costs, through an underwritten registered public offering.

We have incurred losses from operations during the year ended June 30, 2014 and six months ended December 31, 2014 and anticipate incurring additional losses until such time that we can generate sufficient revenue from the sale, customization or exclusive use and licensing of our proprietary range of injectable drug delivery systems to pharmaceutical and biotechnology customers.

We continue to have discussions with current and prospective customers for many active programs in our commercial pipeline and have executed several agreements featuring a combination of revenue streams, including exclusivity fees, device customization programs and supply contracts that have begun to generate cash payments. We expect to continue to execute agreements and generate additional cash payments during the remainder of fiscal year 2015. Given the substantial size,

complexity and long-term duration of many of these prospective agreements, some can take a significant amount of time to negotiate and finalize. We estimate that our cash and cash equivalents of \$8.4 million as of December 31, 2014, along with our \$2.4 million of restricted cash, together with the additional proceeds raised under the underwritten registered public offering as well as the anticipated cash receipts from customers is sufficient to sustain planned operations for the next 12 months. However, there can be no assurance that such cash from customer agreements will be available when needed.

The following table summarizes our cash flows during the six months ended December 31, 2014 and 2013:

	Six Months Ended December 31,	
	2014	2013
	(in thousands)	
Net cash provided by (used in):		
Operating activities	\$(25,029)	\$(11,000)
Investing activities	(6,920)	(1,798)
Financing activities	32,034	11,312

Net Cash Used In Operating Activities

Net cash used in operating activities during the six months ended December 31, 2014 was \$25.0 million compared to \$11.0 million during the six months ended December 31, 2013. The increase in net cash used in operating activities was primarily due to the increase in net loss during the period.

Net Cash Used in Investing Activities

Net cash used in investing activities during the six months ended December 31, 2014 and 2013 was \$6.9 million and \$1.8 million respectively, primarily as a result of costs incurred in connection with the purchase of machinery and related equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities during the six months ended December 31, 2014 was \$32.0 million compared to \$11.3 million during the six months ended December 31, 2013.

During the six months ended December 31, 2014, we received \$20.0 million in aggregate proceeds from the two additional tranches under the Amended Credit Agreement with OrbiMed and \$12.4 million of proceeds in connection with our public offering of common stock under the Sales Agreement which was partially offset by \$0.3 million in principal debt repayments.

During the six months ended December 31, 2013, we received \$10.7 million of proceeds in connection with our public offering of common stock under the Sales Agreement and \$2.3 million from the exercise of stock options, which was partially offset by principal debt repayments of \$1.7 million.

Contractual Obligations and Commitments

The following table provides information regarding our contractual obligations as of December 31, 2014:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years (In thousands)	3-5 Years	More Than 5 Years
Long-term debt and related interest	\$134,230	\$ 7,963	\$15,126	\$15,109	\$ 96,032
Operating leases	8,670	1,099	2,450	2,509	2,612
Purchase obligations	21,276	21,276	—	—	—
Total contractual obligations	<u>\$164,176</u>	<u>\$30,338</u>	<u>\$17,576</u>	<u>\$17,618</u>	<u>\$ 98,644</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and foreign currency exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows.

Interest Rate Risk

Our exposure to interest rate risk is limited to our cash and cash equivalents that are invested in money market funds with highly liquid short term investments and our variable interest rate term loans. We currently do not utilize derivative instruments to mitigate changes in interest rates.

Foreign Currency Exchange Rate Fluctuations

Certain of our revenues are derived from payments under our exclusive agreement received in euros while we incur most of our expenses in U.S. dollars and Australian dollars. In addition, a portion of our cash and cash equivalents and investments are held at Australian banking institutions and are denominated in Australian dollars. We are exposed to foreign currency exchange rate risks on these amounts. We currently do not utilize options or forward contracts to mitigate changes in foreign currency exchange rates. For U.S. reporting purposes, we translate all assets and liabilities of our non-U.S. entities into U.S. dollars using the exchange rate as of the end of the related period and we translate all revenues and expenses of our non-U.S. entities using the average exchange rate during the applicable period.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our Principal Executive Officer and Principal Financial Officer, with the participation of our management, has evaluated the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) and 15d-(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of such date, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There has not been any change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 7, 2012, we received a letter from counsel for Talbot (Todd) Smith, a former employee, alleging that Mr. Smith was wrongly terminated. Mr. Smith, who was terminated “for cause” by us, filed a complaint with the U.S. Occupational Safety and Health Administration, or OSHA, in November 2012. We and various third parties have investigated the allegations made by Mr. Smith and have determined that his allegations are without merit. We believe the allegations made by Mr. Smith against us are in retaliation for his “for cause” termination and defended ourselves vigorously in the OSHA matter. Because OSHA did not make a final determination on Mr. Smith’s complaint within 180 days, Mr. Smith filed a civil complaint in the United States District Court for the Eastern District of Pennsylvania on August 30, 2013 and an amended complaint on March 5, 2014 against the Company and various officers of the Company. OSHA accordingly dismissed the OSHA matter without a final determination. The complaint filed in the District Court makes the same allegations made by Mr. Smith in the OSHA complaint and also includes a defamation claim. To the extent that the allegations made by Mr. Smith in the District Court are nearly identical to those made in his OSHA complaint, we and various third parties have investigated his allegations previously and have determined that the allegations are without merit, and we intend to defend ourselves vigorously in the District Court action. After Mr. Smith disclosed a violation of the Pennsylvania Wire Tapping and Electronic Surveillance Control Act, or the PA Wiretapping Act, during the pendency of discovery in the District Court action, on June 20, 2014, we filed counterclaims against Mr. Smith for his violation of the PA Wiretapping Act. The District Court action is currently in discovery.

On January 8, 2014, we were served with a derivative complaint filed in the Delaware Chancery Court by Cambridge Retirement System, a purported stockholder of the Company, against our board of directors to recover allegedly “excessive and wasteful” compensation paid to the non-executive directors since 2010. We believe that these allegations are baseless and without merit and we and the directors are defending ourselves vigorously. In February 2014, we filed a motion to dismiss the complaint in lieu of an answer. On June 26, 2014, the Court granted our motion to dismiss with respect to the directors’ equity grants, but denied the motion with respect to their cash compensation. We filed an answer to the remaining claims on July 11, 2014. The action is currently in discovery.

We do not believe there will be any material impact to us or our business as a result of either of these matters.

Item 5. Other Information

Item 6. Exhibits

The exhibits to this report are listed in the Exhibit Index below.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Included Herewith</u>
10.1	Form of Unilife Corporation Amended and Restated 2009 Stock Agreement	X
10.2	Form of Restricted Stock Notice and Agreement (US Directors)	X
10.3	Form of Restricted Stock Agreement (Australian Directors)	X
15	Awareness Letter of Independent Registered Public Accounting Firm	X
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer	X
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer	X
32.1	Section 1350 Certification	X
32.2	Section 1350 Certification	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Included Herewith</u>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 9, 2015

UNILIFE CORPORATION

By: /s/ Dennis P. Pyers

Dennis P. Pyers
Interim Chief Financial Officer

**RESTRICTED STOCK AGREEMENT
UNDER THE
UNILIFE CORPORATION AMENDED AND RESTATED
2009 STOCK INCENTIVE PLAN**

GRANTEE:

NO. OF SHARES:

This Agreement (the “**Agreement**”) evidences the award of [] restricted shares (each, an “**Award Share**,” and collectively, the “**Award Shares**”) of the common stock of Unilife Corporation, a Delaware corporation (the “**Company**”), granted to you, [], effective as of [201] (the “**Grant Date**”), pursuant to the Unilife Corporation Amended and Restated 2009 Stock Incentive Plan (the “**Plan**”) and conditioned upon your agreement to the terms described below. All of the provisions of the Plan are expressly incorporated into this Agreement.

1. Terminology. Unless the context herein otherwise requires or as otherwise provided in this Agreement, capitalized words used herein are defined in the Plan.

2. Vesting.

(a) All of the Award Shares are nonvested and forfeitable as of the Grant Date.

(b) The Award Shares will become vested and nonforfeitable as follows, provided that you remain in continuous service with the Company through the applicable vesting date:

- (i) 25% of the Award Shares will become vested and nonforfeitable on or before [].
- (ii) 25% of the Award Shares will become vested and nonforfeitable on or before [].
- (iii) 50% of the Award Shares will become vested and nonforfeitable on or before [].

(c) All of the Award Shares, to the extent not earlier forfeited, will become vested and nonforfeitable: (i) immediately prior to and contingent upon the occurrence of a Change in Control, provided that you remain in continuous service with the Company through the date of that Change in Control; or (ii) upon cessation of your service with the Company due to your death or Disability.

(d) Solely for purposes of this Agreement, service with the Company will be deemed to include service with any Affiliate of the Company (for only so long as such entity remains an Affiliate).

3. Termination of Service.

(a) If your service with the Company ceases for any reason other than your death or Disability, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited by you and transferred to the Company upon such cessation for no consideration. Any accrued dividends attributable to such forfeited Award Shares shall also be forfeited if and when the Award Shares are forfeited.

(b) You acknowledge and agree that upon the forfeiture of any unvested Award Shares in accordance with Section 3(a), (i) your right to vote and to receive cash dividends on, and all other rights, title or interest in, to or with respect to, the forfeited Award Shares shall automatically, without further act, terminate and (ii) the forfeited Award Shares shall be returned to the Company. You hereby irrevocably appoint (which appointment is coupled with an interest) the Company as your agent and

attorney-in-fact to take any necessary or appropriate action to cause the forfeited Award Shares to be returned to the Company, including without limitation executing and delivering stock powers and instruments of transfer, making endorsements and/or making, initiating or issuing instructions or entitlement orders, all in your name and on your behalf. You hereby ratify and approve all acts done by the Company as such attorney-in-fact. Without limiting the foregoing, you expressly acknowledge and agree that any transfer agent for the Common Stock of the Company is fully authorized and protected in relying on, and shall incur no liability in acting on, any documents, instruments, endorsements, instructions, orders or communications from the Company in connection with the forfeited Award Shares or the transfer thereof, and that any such transfer agent is a third party beneficiary of this Agreement.

4. Restrictions on Transfer.

(a) Before an Award Share becomes vested and nonforfeitable, it may not be sold, assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), except by will or the laws of descent and distribution, and shall not be subject to execution, attachment or similar process.

(b) Even after an Award Share becomes vested and nonforfeitable, any transfer of Common Stock by you (or of any interest in Common Stock) will be limited to the extent provided by any stock ownership guideline, anti-hedging policy, securities trading policy, clawback policy or other similar policy or procedure maintained by the Company from time to time.

(c) The Company shall be entitled to place a stop transfer order on the Award Shares until they become vested and nonforfeitable. Any attempt to sell, transfer, pledge, assign or otherwise alienate or hypothecate any such Award Shares in contravention of the restrictions set forth in Section 4(a) shall be null and void and without effect. The Company shall not be required to (i) transfer on its books any Award Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Award Shares, or otherwise accord voting, dividend or liquidation rights to, any transferee to whom Award Shares have been transferred in contravention of this Agreement.

(d) This Agreement is in all respects binding on you and your executors, representatives, administrators and heirs.

5. Book Entry Position. You are reflected as the owner of record of the Award Shares as of the Grant Date on the Company's books. The Company will maintain the Award Shares in uncertificated book entry form. While any Award Share is unvested and forfeitable, the records of the Company's transfer agent will include a notation to the effect that you may not sell, assign, transfer, pledge, or hypothecate the Award Shares. Any cash dividends or distributions that become payable with respect to an unvested Award Share will be accrued and held by the Company or an escrow agent appointed by the Administrator until the Award Share becomes vested and will be paid to you within 30 days after the date on which the related Award Share becomes vested.

6. Tax Withholding; Tax Election.

(a) You hereby agree to make adequate provision for non-US, US Federal, state and local taxes, including any social tax obligation, required by law to be withheld, if any, which arise in connection with the grant or vesting of the Award Shares. The Company in its sole discretion may, but is not obligated to, permit you to satisfy, in whole or in part, any withholding tax obligation, including any social tax obligation, which may arise in connection with the grant or vesting of the Award Shares either by electing to have the Company withhold the issuance of, or redeem, Award Shares (other than unvested Award Shares) or by electing to deliver to the Company already-owned, fully vested shares of Common Stock of the Company, in either case having a Fair Market Value equal to the amount necessary to satisfy the statutory minimum withholding amount due. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of shares of Common Stock or redeeming Award Shares) the amount of any US Federal, state, local or non-US taxes, including any social tax obligation, required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part; provided, however, that the value of the shares of Common Stock withheld or redeemed may not exceed the statutory minimum withholding

amount required by law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make provision for the payment of such taxes when requested, the Company may refuse to issue any Common Stock certificate under this Agreement or may refuse to remove transfer restrictions on any Award Share until arrangements satisfactory to the Committee have been made.

(b) You hereby acknowledge that you have been advised by the Company to seek independent tax advice from your own advisors regarding the availability and advisability of making an election under Section 83(b) of the Code, and that any such election, if made, must be made within 30 days of the Grant Date. You expressly acknowledge that you are solely responsible for filing any such Section 83(b) election with the appropriate governmental authorities, irrespective of the fact that such election is also delivered to the Company. You may not rely on the Company or any of its officers, directors or employees for tax or legal advice regarding this award. You acknowledge that you have sought tax and legal advice from your own advisors regarding this award or have voluntarily and knowingly foregone such consultation.

7. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Award Shares and the number of such Award Shares that are nonvested and forfeitable shall, without further action of the Administrator, be adjusted to reflect such event. The Administrator shall make adjustments, in its discretion, to address the treatment of fractional shares with respect to the Award Shares as a result of the stock dividend, stock split or reverse stock split; provided that such adjustments do not result in the issuance of fractional Award Shares. Adjustments under this Section 7 will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. While the Company is admitted to the Official List of the Australian Securities Exchange (ASX), any adjustments to the Award Shares under this Section 7 shall be made in accordance with the ASX Listing Rules (as amended or waived from time to time)

(b) Binding Nature of Agreement. The terms and conditions of this Agreement shall apply with equal force to any additional and/or substitute securities received by you in exchange for, or by virtue of your ownership of, the Award Shares, to the same extent as the Award Shares with respect to which such additional and/or substitute securities are distributed, whether as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, or similar event, except as otherwise determined by the Administrator. If the Award Shares are converted into or exchanged for, or stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity, or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan or this Agreement.

9. Rights as Stockholder. Except as otherwise provided in this Agreement with respect to the nonvested and forfeitable Award Shares and the payment of dividends thereon, you will possess all incidents of ownership of the Award Shares, including the right to vote the Award Shares and receive dividends and/or other distributions declared on the Award Shares.

10. The Company's Rights. The existence of the Award Shares shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments,

recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of the Company for the attention of its Corporate Secretary at its principal executive office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

12. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the Award Shares granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Award Shares granted hereunder shall be void and ineffective for all purposes.

13. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on your rights under this Agreement as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

14. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

15. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the districts which include the city and state in which the principal executive offices of the Company are located on the date on which the suit arises, and you hereby agree and submit to the personal jurisdiction and venue thereof.

16. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

17. Counterparts. This Agreement may be executed in counterparts, including by facsimile or .pdf electronic transmission and electronic mail (including .pdf), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any party by facsimile transmission or electronic mail will be as effective as delivery of a manually executed copy of this Agreement by such party.

18. Electronic Delivery of Documents. By your signing this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Award Shares and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

19. No Future Entitlement. By your signing this Agreement, you acknowledge and agree that: (i) the grant of these Award Shares is a one-time benefit which does not create any contractual or other right to receive future grants of stock, or compensation in lieu of stock grants, even if stock grants have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants, including, but not limited to, the times when stock grants shall be granted, the maximum number of shares subject to each stock grant, and the times or conditions under which restrictions on such stock grants shall lapse, will be at the sole discretion of the Administrator; (iii) the value of this stock grant is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of this stock grant is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of these Award Shares ceases upon termination of employment with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) the Company does not guarantee any future value of these Award Shares; and (vii) no claim or entitlement to compensation or damages arises if these Award Shares do not increase in value and you irrevocably release the Company from any such claim that does arise.

20. Personal Data. For the exclusive purpose of implementing, administering and managing this stock grant, you, by signing this Agreement, consent to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, exercised, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of this stock grant and the Plan, and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage this stock grant. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a stock grant.

{Signature page follows}

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer.

UNILIFE CORPORATION

By: _____

Date: _____

The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees to be bound by all of the provisions set forth herein. The undersigned also consents to electronic delivery of all notices or other information with respect to the Award Shares or the Company.

WITNESS:

GRANTEE

Date: _____

Enclosure: Prospectus for the Unilife Corporation Amended and Restated 2009 Stock Incentive Plan

IMPORTANT US FEDERAL TAX INFORMATION

INSTRUCTIONS REGARDING SECTION 83(b) ELECTIONS

1. The 83(b) Election is **irrevocable**. The 83(b) Election is a voluntary election that is available to you. It is your decision whether to file an 83(b) Election.
2. If you choose to make an 83(b) Election, the 83(b) Election Form must be filed with the Internal Revenue Service within 30 days of the Grant Date; no exceptions to this deadline are made. You should send the election to the internal revenue service center located at the address to which you send your US Federal income tax return (IRS form 1040) based on your place of residence. **The election should be sent via certified mail with return receipt requested or a delivery service that provides proof of delivery.**
3. You must deliver a copy of the 83(b) Election Form to the Corporate Secretary or other designated officer of the Company as soon as practicable after you receive proof that the original was received by the Internal Revenue Service. Irrespective of the fact that a copy of your 83(b) Election Form is to be delivered to the Company, you remain solely responsible for properly filing the original with the Internal Revenue Service.
4. In addition to making the filing under Item 2 above, you must attach a copy of your 83(b) Election Form to your US Federal tax return for the taxable year that includes the Grant Date. Applicable state law also may require you to attach a copy of the 83(b) Election Form to any state income tax returns that you file for that taxable year.
5. If you make an 83(b) Election and later forfeit the Award Shares, you will not be entitled to a refund of the taxes paid with respect to the gross income you recognized under the 83(b) Election.
6. **You must consult your personal tax advisor before making an 83(b) Election.** You may not rely on this information, the Company, or any of the Company's officers, directors, or employees for tax or legal advice regarding the Award Shares or the 83(b) Election. The election form attached to these instructions is intended as a sample only. It must be tailored to your circumstances and may not be relied upon without consultation with a personal tax advisor.

SECTION 83(b) ELECTION FORM

Election Pursuant to Section 83(b) of the Internal Revenue Code to Include Property in Gross Income in Year of Transfer

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address, and taxpayer identification number of the undersigned are:

_____-_____-_____

2. The property with respect to which the election is made is _____ shares of Common Stock, par value \$0.01 per share, of Unilife Corporation, a Delaware corporation (the "Company").

3. The date on which the property was transferred was _____, the date on which the taxpayer received the property pursuant to a grant of restricted stock.

4. The taxable year to which this election relates is calendar year 20 _____.

5. The property is subject to restrictions in that the property is not transferable and is subject to a substantial risk of forfeiture until the taxpayer vests in the property. The taxpayer will vest in the property [DESCRIBE VESTING].

6. The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made is \$ _____ per share; with a cumulative fair market value of \$ _____.

7. The taxpayer did not pay any amount for the property transferred.

8. A copy of this statement was furnished to the Corporate Secretary or other designated officer of the Company. The taxpayer rendered services to Unilife Medical Solutions Limited and Unilife Corporation in connection with the transfer of the property with respect to which this election is being made.

9. This election is made to the same effect, and with the same limitations, for purposes of any applicable state statute corresponding to Section 83(b) of the Internal Revenue Code.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner of Internal Revenue.

Signed: _____

Date: _____

Letter for filing §83(b) Election Form

[Date]

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

*****Please insert the IRS Service Center where you file your US Federal income tax return below.*****

Internal Revenue Service Center

***Re: §83(b) Election of
Social Security Number:***

Dear Sir/Madam:

Enclosed is an election under §83(b) of the Internal Revenue Code of 1986, as amended, with respect to certain shares of stock of Unilife Corporation that were transferred to me on _____, 20__.

Please file this election.

Sincerely,

cc: Corporate Secretary of Unilife Corporation

**RESTRICTED STOCK UNITS NOTICE
UNDER THE
UNILIFE CORPORATION
AMENDED AND RESTATED
2009 STOCK INCENTIVE PLAN**

Name of Grantee:

This Notice evidences the award of restricted stock units (each, a “**RSU**,” and collectively, the “**RSUs**”) of Unilife Corporation, a Delaware corporation (the “**Company**”), that have been granted to you pursuant to the Unilife Corporation Amended and Restated 2009 Stock Incentive Plan (the “**Plan**”) and the terms of the attached Restricted Stock Units Agreement (the “**Agreement**”). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each RSU represents the Company’s commitment to issue one share of the Company’s common stock at a future date, subject to the terms of the Agreement and the Plan.

Grant Date:

Number of RSUs:

Vesting Schedule: All of the RSUs will become vested and nonforfeitable on the date of the Company’s next regularly scheduled annual meeting of stockholders at which directors are elected, provided that you remain in continuous service with the Company through that date. In addition, the vesting of all of the RSUs will accelerate in full (i) immediately prior to and contingent upon the occurrence of a Change in Control, provided that you remain in continuous service with the Company through the date of that transaction, or (ii) upon cessation of your service with the Company due to your death or Disability.

Unilife Corporation

Date

I acknowledge that I have carefully read the Agreement and the prospectus for the Plan. I agree to be bound by all of the provisions set forth in those documents. I also consent to electronic delivery of all notices or other information with respect to the RSUs or the Company.

Signature of Grantee

Date

**RESTRICTED STOCK UNITS AGREEMENT
UNDER THE
UNILIFE CORPORATION
AMENDED AND RESTATED
2009 STOCK INCENTIVE PLAN**

1. Terminology. Unless the context herein otherwise requires or as otherwise provided in this Agreement, capitalized terms used herein are defined in the Glossary at the end of this Agreement or in the Plan.

2. Vesting. All of the RSUs will become vested and nonforfeitable on the date of the Company's next regularly scheduled annual meeting of stockholders at which directors are elected, provided that you remain in continuous service with the Company through that date. In addition, the vesting of all of the RSUs will accelerate in full (i) immediately prior to and contingent upon the occurrence of a Change in Control, provided that you remain in continuous service with the Company through the date of that transaction, or (ii) upon cessation of your service with the Company due to your death or Disability. If your service ceases for any reason other than due to death or Disability, all RSUs that then remain subject to forfeiture will be immediately and automatically forfeited.

3. Restrictions on Transfer. Neither this Agreement nor any of the RSUs may be assigned, transferred, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and the RSUs shall not be subject to execution, attachment or similar process or in any other manner be made subject to a hedge transaction or puts and calls. All rights with respect to this Agreement and the RSUs shall be exercisable during your lifetime only by you or your guardian or legal representative. Notwithstanding the foregoing, the RSUs may be transferred upon your death by last will and testament or under the laws of descent and distribution.

4. Dividend Equivalent Payments. You are not entitled to receive any cash dividends or dividend equivalent payments with respect to the RSUs. The Company shall make no adjustment for cash dividends, distributions or other rights for which the record date is before the date the shares of Common Stock are issued upon settlement of the RSUs.

5. Settlement of RSUs. Your vested RSUs will be settled automatically, via the issuance of Common Stock as described herein, upon your Termination Date. You are not required to make any monetary payment (other than any tax withholding or social insurance contribution that may be required under applicable law) as a condition to settlement of the RSUs. The Company will issue to you, in settlement of your RSUs, the number of whole shares of Common Stock that equals the number of whole RSUs, and the RSUs will cease to be outstanding upon your receipt of such settlement payment. Upon issuance of such shares, you will be reflected as the owner of record on the Company's books and the Company will retain the shares of Common Stock in uncertificated book entry form. Alternatively, upon your request, the Company will deliver a share certificate to you or deliver a share electronically or in certificate form to your designated broker on your behalf, for the issued shares. Fractional RSUs will be settled, if at all, in cash. In the event of your death, settlement of your RSUs will be made in the same manner on behalf of your estate.

6. Adjustments for Corporate Transactions and Other Events.

(a) *Stock Dividend, Stock Split and Reverse Stock Split*. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of outstanding RSUs shall, without further action of the Administrator, be adjusted to reflect such event. The Administrator may make adjustments, in its discretion, to address the treatment of fractional shares and fractional cents that arise with respect to outstanding RSUs as a result of the stock dividend, stock split or reverse stock split. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

(b) *Merger, Consolidation and Other Events*. If there occurs a merger or consolidation of the Company and the Common Stock is converted into other securities, the RSUs shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock

subject to the RSUs would have been entitled. If the stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled, in the same manner and to the same extent as the RSUs.

7. Non-Guarantee of Directorship. Nothing in the Plan or this Agreement shall alter your service relationship with the Company, nor be construed as a contractual right of you to continue in a service relationship with the Company for any particular period of time or at any particular rate of compensation, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any RSUs. In addition, nothing in the Plan or in this Agreement, nor any action taken pursuant to the Plan, shall limit, interfere with or otherwise affect the provisions of the Company's charter, bylaws or the Delaware General Corporation Law relating to the removal of directors.

8. Rights as Stockholder. Neither you nor any other person claiming through you shall have any rights with respect to any shares of Common Stock subject to the RSUs, including without limitation, any voting rights, unless and until such shares are duly issued and delivered to you. The Company shall make no adjustment for cash dividends, distributions or other rights for which the record date is before the date the shares of Common Stock are issued.

9. The Company's Rights. The existence of the RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

10. Restrictions on Issuance of Shares. The issuance of shares of Common Stock upon settlement of the RSUs shall be subject to and in compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the RSUs shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the RSUs, the Company may require you to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company. Even following the issuance of shares of Common Stock upon settlement of the RSUs, any transfer of those shares (or of any interest therein) will be limited to the extent provided by any stock ownership guideline, anti-hedging policy, securities trading policy or other similar policy or procedure maintained by the Company from time to time.

11. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be deemed effective or given upon hand delivery or 5 days after deposit in the United States mail, postage prepaid and certified, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of the Company for the attention of its Corporate Secretary at its principal executive office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

12. Entire Agreement. This Agreement, together with the relevant Notice and the Plan, contains the entire agreement between the parties with respect to the RSUs granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the RSUs granted hereunder shall be void and ineffective for all purposes.

13. Amendment; Termination. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the RSUs as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto; and provided further, that notwithstanding the foregoing, the Company may unilaterally choose to terminate and liquidate this Agreement at any time in the manner described in Treas. Reg. § 1.409A-3(j)(ix) or any successor provision.

14. 409A Compliance.

(a) This Agreement and the RSUs granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code and any regulations and Treasury guidance promulgated thereunder.

(b) The Company and grantee agree that they will execute any and all amendments to this Agreement or with respect to the RSUs as they mutually agree in good faith may be necessary to ensure compliance with the provisions of Section 409A of the Code.

(c) The preceding provisions, however, shall not be construed as a guarantee by the Company of any particular tax effect to you under this Agreement or with respect to the RSUs. The Company shall not be liable to you for any additional tax, penalty, or interest under Section 409A of the Code, nor for reporting in good faith any payment made under this Agreement or with respect to the RSUs as an amount includible in gross income under Section 409A of the Code.

(d) If you are a “specified employee” (as defined under Section 409A of the Code and determined in good faith by the Compensation Committee) when you attain your Termination Date and your RSUs are to be settled on account of the occurrence of such Termination Date, settlement of your RSUs will be made within 15 days after the end of the six-month period beginning on your Termination Date or, if earlier, within 15 days after the appointment of the personal representative or executor of your estate following your death.

15. No Obligation to Minimize Taxes. The Company has no duty or obligation to minimize the tax consequences to you of this award of RSUs and shall not be liable to you for any adverse tax consequences to you arising in connection with this award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this award and by signing the Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

16. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

17. No Funding. This Agreement constitutes an unfunded and unsecured promise by the Company to issue shares of Common Stock in the future in accordance with its terms. You have the status of a general unsecured creditor of the Company as a result of receiving the grant of RSUs.

18. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in

the federal or state courts in the district which includes the city or town in which the Company's principal executive office is located, and you hereby agree and submit to the personal jurisdiction and venue thereof.

19. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

20. Counterparts. This Agreement may be executed in counterparts, including by facsimile or .pdf electronic transmission and electronic mail (including .pdf), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any party by facsimile transmission or electronic mail will be as effective as delivery of a manually executed copy of this Agreement by such party.

21. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the RSUs and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

22. No Future Entitlement. By your signing the Notice, you acknowledge and agree that: (i) the grant of this award is a one-time benefit which does not create any contractual or other right to receive future grants of RSUs, or compensation in lieu of RSUs, even if RSUs have been granted repeatedly in the past or have been pre-approved by the stockholders of the Company for future grant; (ii) all determinations with respect to any such future grants and the terms thereof will be at the sole discretion of the Administrator, subject to satisfaction of applicable stockholder approval requirements; (iii) the value of the RSUs is not part of normal or expected compensation for any purpose; and (iv) no claim or entitlement to compensation or damages arises if the RSUs decrease or do not increase in value and you irrevocably release the Company from any such claim that does arise.

23. Personal Data. For purposes of the implementation, administration and management of the RSUs or the effectuation of any acquisition, equity or debt financing, joint venture, merger, reorganization, consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, sale of material assets or other similar corporate transaction involving the Company (a "**Corporate Transaction**"), you consent, by execution of the Notice, to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to a potential Corporate Transaction. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of the RSUs or the effectuation of a Corporate Transaction and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage the RSUs or effect a Corporate Transaction. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept an RSU award.

{Glossary begins on next page}

GLOSSARY

(a) “**Notice**” means the statement, letter or other written notification provided to you by the Company setting forth the terms of a grant of RSUs made to you.

(b) “**Plan**” means the Unilife Corporation Amended and Restated 2009 Stock Incentive Plan, as amended from time to time.

(c) “**RSU**” means the Company’s commitment to issue one share of Common Stock at a future date, subject to the terms of the Agreement and the Plan.

(d) “**Termination Date**” means the date on which you cease to serve as a member of the Board of Directors and have otherwise incurred a “separation from service” within the meaning of Section 409A of the Code.

{*End of Agreement*}

Grant No.: RSA-

**RESTRICTED STOCK AGREEMENT
UNDER THE
UNILIFE CORPORATION
AMENDED AND RESTATED
2009 STOCK INCENTIVE PLAN**

GRANTEE:

NO. OF SHARES:

This Agreement (the “**Agreement**”) evidences the award of [] restricted shares (each, an “**Award Share**,” and collectively, the “**Award Shares**”) of the common stock of Unilife Corporation, a Delaware corporation (the “**Company**”), granted to you, [], effective as of [], 2014 (the “**Grant Date**”), pursuant to the Unilife Corporation Amended and Restated 2009 Stock Incentive Plan (the “**Plan**”) and conditioned upon your agreement to the terms described below. All of the provisions of the Plan are expressly incorporated into this Agreement.

1. Terminology. Unless the context herein otherwise requires or as otherwise provided in this Agreement, capitalized words used herein are defined in the Plan.

2. Vesting.

(a) All of the Award Shares are nonvested and forfeitable as of the Grant Date.

(b) All of the Award Shares will become vested and nonforfeitable on the date of the Company’s next regularly scheduled annual meeting of stockholders at which directors are elected, provided that you remain in continuous service with the Company through that date. In addition, the vesting of all of the Award Shares will accelerate in full (i) immediately prior to and contingent upon the occurrence of a Change in Control, provided that you remain in continuous service with the Company through the date of that transaction, or (ii) upon cessation of your service with the Company due to your death or Disability.

3. Holding Period. You may not sell, assign, transfer, pledge, hypothecate or dispose of in any way (whether by operation of law or otherwise) your Award Shares from when they become vested and nonforfeitable until the later of (a) the first anniversary of when those shares became vested and nonforfeitable, and (b) the earliest of: (i) termination of your service with the Company; (ii) upon the occurrence of a Change in Control; (iii) upon receiving written consent of the Board, which will only be provided in exceptional circumstances; or (iv) seven (7) years from Grant Date.

4. Termination of Service.

(a) If your service with the Company ceases for any reason other than your death or Disability, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited by you and transferred to the Company upon such cessation for no consideration. Any accrued dividends attributable to such forfeited Award Shares shall also be forfeited if and when the Award Shares are forfeited.

(b) You acknowledge and agree that upon the forfeiture of any unvested Award Shares in accordance with Section 4(a), (i) your right to vote and to receive cash dividends on, and all other rights, title or interest in, to or with respect to, the forfeited Award Shares shall automatically, without further act, terminate and (ii) the forfeited Award Shares shall be returned to the Company. You hereby irrevocably appoint (which appointment is coupled with an interest) the Company as your agent and attorney-in-fact to take any necessary or appropriate action to cause the forfeited Award Shares to be returned to the Company, including without limitation executing and delivering stock powers and instruments of transfer, making endorsements and/or making, initiating or issuing instructions or

entitlement orders, all in your name and on your behalf. You hereby ratify and approve all acts done by the Company as such attorney-in-fact. Without limiting the foregoing, you expressly acknowledge and agree that any transfer agent for the Common Stock of the Company is fully authorized and protected in relying on, and shall incur no liability in acting on, any documents, instruments, endorsements, instructions, orders or communications from the Company in connection with the forfeited Award Shares or the transfer thereof, and that any such transfer agent is a third party beneficiary of this Agreement.

5. Restrictions on Transfer.

(a) Before an Award Share becomes vested and nonforfeitable, it may not be sold, assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), except by will or the laws of descent and distribution, and shall not be subject to execution, attachment or similar process.

(b) Even after an Award Share becomes vested and nonforfeitable, any transfer of Common Stock by you (or of any interest in Common Stock) will be limited to the extent provided by any stock ownership guideline, anti-hedging policy, securities trading policy, clawback policy or other similar policy or procedure maintained by the Company from time to time.

(c) The Company shall be entitled to place a stop transfer order on the Award Shares until they cease to be subject to transfer restrictions. Any attempt to sell, transfer, pledge, assign or otherwise alienate or hypothecate any such Award Shares in contravention of restrictions described in this Agreement shall be null and void and without effect. The Company shall not be required to (i) transfer on its books any Award Shares that have been sold or transferred in contravention of this Agreement, or (ii) treat as the owner of Award Shares, or otherwise accord voting, dividend or liquidation rights to, any transferee to whom Award Shares have been transferred in contravention of this Agreement.

(d) This Agreement is in all respects binding on you and your executors, representatives, administrators and heirs.

6. Book Entry Position. You are reflected as the owner of record of the Award Shares as of the Grant Date on the Company's books. The Company will maintain the Award Shares in uncertificated book entry form. While any Award Share is unvested and forfeitable, the records of the Company's transfer agent will include a notation to the effect that you may not sell, assign, transfer, pledge, or hypothecate the Award Shares. Any cash dividends or distributions that become payable with respect to an unvested Award Share will be accrued and held by the Company or an escrow agent appointed by the Administrator until the Award Share becomes vested and will be paid to you within 30 days after the date on which the related Award Share becomes vested.

7. Tax Withholding; Tax Election.

(a) You hereby agree to make adequate provision for non-US, US Federal, state and local taxes, including any social tax obligation, required by law to be withheld, if any, which arise in connection with the grant or vesting of the Award Shares. The Company in its sole discretion may, but is not obligated to, permit you to satisfy, in whole or in part, any applicable withholding tax obligation, including any social tax obligation, which may arise in connection with the grant or vesting of the Award Shares either by electing to have the Company withhold the issuance of, or redeem, Award Shares (other than unvested Award Shares) or by electing to deliver to the Company already-owned, fully vested shares of Common Stock of the Company, in either case having a Fair Market Value equal to the amount necessary to satisfy the statutory minimum withholding amount due. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of shares of Common Stock or redeeming Award Shares) the amount of any applicable US Federal, state, local or non-US taxes, including any social tax obligation, required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part; provided, however, that the value of the shares of Common Stock withheld or redeemed may not exceed the statutory

minimum withholding amount required by law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make provision for the payment of such taxes when requested, the Company may refuse to issue any Common Stock certificate under this Agreement or may refuse to remove transfer restrictions on any Award Share until arrangements satisfactory to the Committee have been made.

(b) You hereby acknowledge that you have been advised by the Company to seek independent tax advice from your own advisors regarding the availability and advisability of making an election under Section 83(b) of the Code, and that any such election, if made, must be made within 30 days of the Grant Date. You expressly acknowledge that you are solely responsible for filing any such Section 83(b) election with the appropriate governmental authorities, irrespective of the fact that such election is also delivered to the Company. You may not rely on the Company or any of its officers, directors or employees for tax or legal advice regarding this award. You acknowledge that you have sought tax and legal advice from your own advisors regarding this award or have voluntarily and knowingly foregone such consultation.

8. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Award Shares and the number of such Award Shares that are nonvested and forfeitable shall, without further action of the Administrator, be adjusted to reflect such event. The Administrator shall make adjustments, in its discretion, to address the treatment of fractional shares with respect to the Award Shares as a result of the stock dividend, stock split or reverse stock split; provided that such adjustments do not result in the issuance of fractional Award Shares. Adjustments under this Section 8 will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. While the Company is admitted to the Official List of the Australian Securities Exchange (**ASX**), any adjustments to the Award Shares under this Section 8 shall be made in accordance with the ASX Listing Rules (as amended or waived from time to time)

(b) Binding Nature of Agreement. The terms and conditions of this Agreement shall apply with equal force to any additional and/or substitute securities received by you in exchange for, or by virtue of your ownership of, the Award Shares, to the same extent as the Award Shares with respect to which such additional and/or substitute securities are distributed, whether as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, or similar event, except as otherwise determined by the Administrator. If the Award Shares are converted into or exchanged for, or stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity, or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

9. Non-Guarantee of Directorship. Nothing in the Plan or this Agreement shall alter your service relationship with the Company, nor be construed as a contractual right of you to continue in a service relationship with the Company for any particular period of time or at any particular rate of compensation, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares. In addition, nothing in the Plan or in this Agreement, nor any action taken pursuant to the Plan, shall limit, interfere with or otherwise affect the provisions of the Company's charter, bylaws or the Delaware General Corporation Law relating to the removal of directors.

10. Rights as Stockholder. Except as otherwise provided in this Agreement, you will possess all incidents of ownership of the Award Shares, including the right to vote the Award Shares and receive dividends and/or other distributions declared on the Award Shares.

11. The Company's Rights. The existence of the Award Shares shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be deemed effective or given upon hand delivery or 5 days after deposit in the United States mail, postage prepaid and certified, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of the Company for the attention of its Corporate Secretary at its principal executive office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

13. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the Award Shares granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Award Shares granted hereunder shall be void and ineffective for all purposes.

14. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on your rights under this Agreement as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

15. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

16. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the districts which include the city and state in which the principal executive offices of the Company are located on the date on which the suit arises, and you hereby agree and submit to the personal jurisdiction and venue thereof.

17. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

18. Counterparts. This Agreement may be executed in counterparts, including by facsimile or .pdf electronic transmission and electronic mail (including .pdf), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any party by facsimile transmission or electronic mail will be as effective as delivery of a manually executed copy of this Agreement by such party.

19. Electronic Delivery of Documents. By your signing this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Award Shares and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you

by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

20. No Future Entitlement. By your signing this Agreement, you acknowledge and agree that: (i) the grant of these Award Shares is a one-time benefit which does not create any contractual or other right to receive future grants of stock, or compensation in lieu of stock grants, even if stock grants have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants, including, but not limited to, the times when stock grants shall be granted, the maximum number of shares subject to each stock grant, and the times or conditions under which restrictions on such stock grants shall lapse, will be at the sole discretion of the Administrator; (iii) the value of this stock grant is an extraordinary item of compensation; (iv) the value of this stock grant is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of these Award Shares ceases upon termination of your service, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) the Company does not guarantee any future value of these Award Shares; and (vii) no claim or entitlement to compensation or damages arises if these Award Shares do not increase in value and you irrevocably release the Company from any such claim that does arise.

21. Personal Data. For the exclusive purpose of implementing, administering and managing this stock grant, you, by signing this Agreement, consent to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, exercised, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of this stock grant and the Plan, and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage this stock grant. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a stock grant.

{Signature page follows }

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer.

UNILIFE CORPORATION

By: _____

Date: _____

The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees to be bound by all of the provisions set forth herein. The undersigned also consents to electronic delivery of all notices or other information with respect to the Award Shares or the Company.

WITNESS:

GRANTEE

Date: _____

Enclosure: Prospectus for the Unilife Corporation Amended and Restated 2009 Stock Incentive Plan

IMPORTANT US FEDERAL TAX INFORMATION

INSTRUCTIONS REGARDING SECTION 83(b) ELECTIONS

1. The 83(b) Election is **irrevocable**. The 83(b) Election is a voluntary election that is available to you. It is your decision whether to file an 83(b) Election.
2. If you choose to make an 83(b) Election, the 83(b) Election Form must be filed with the Internal Revenue Service within 30 days of the Grant Date; no exceptions to this deadline are made. You should send the election to the internal revenue service center located at the address to which you send your US Federal income tax return (IRS form 1040) based on your place of residence. The election should be sent via certified mail with return receipt requested or a delivery service that provides proof of delivery.
3. You must deliver a copy of the 83(b) Election Form to the Corporate Secretary or other designated officer of the Company as soon as practicable after you receive proof that the original was received by the Internal Revenue Service. Irrespective of the fact that a copy of your 83(b) Election Form is to be delivered to the Company, you remain solely responsible for properly filing the original with the Internal Revenue Service.
4. In addition to making the filing under Item 2 above, you must attach a copy of your 83(b) Election Form to your US Federal tax return for the taxable year that includes the Grant Date. Applicable state law also may require you to attach a copy of the 83(b) Election Form to any state income tax returns that you file for that taxable year.
5. If you make an 83(b) Election and later forfeit the Award Shares, you will not be entitled to a refund of the taxes paid with respect to the gross income you recognized under the 83(b) Election.
6. You must consult your personal tax advisor before making an 83(b) Election. You may not rely on this information, the Company, or any of the Company's officers, directors, or employees for tax or legal advice regarding the Award Shares or the 83(b) Election. The election form attached to these instructions is intended as a sample only. It must be tailored to your circumstances and may not be relied upon without consultation with a personal tax advisor.

SECTION 83(b) ELECTION FORM

Election Pursuant to Section 83(b) of the Internal Revenue Code to Include Property in Gross Income in Year of Transfer

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address, and taxpayer identification number of the undersigned are:

_____-_____-_____

2. The property with respect to which the election is made is _____ shares of Common Stock, par value \$0.01 per share, of Unilife Corporation, a Delaware corporation (the "Company").

3. The date on which the property was transferred was _____, the date on which the taxpayer received the property pursuant to a grant of restricted stock.

4. The taxable year to which this election relates is calendar year 20 _____.

5. The property is subject to restrictions in that the property is not transferable and is subject to a substantial risk of forfeiture until the taxpayer vests in the property. The taxpayer will vest in the property [DESCRIBE VESTING].

6. The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made is \$ _____ per share; with a cumulative fair market value of \$ _____.

7. The taxpayer did not pay any amount for the property transferred.

8. A copy of this statement was furnished to the Corporate Secretary or other designated officer of the Company. The taxpayer rendered services to Unilife Medical Solutions Limited and Unilife Corporation in connection with the transfer of the property with respect to which this election is being made.

9. This election is made to the same effect, and with the same limitations, for purposes of any applicable state statute corresponding to Section 83(b) of the Internal Revenue Code.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner of Internal Revenue.

Signed: _____

Date: _____

Letter for filing §83(b) Election Form

[Date]

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

*****Please insert the IRS Service Center where you file your US Federal income tax return below.*****

Internal Revenue Service Center

***Re: §83(b) Election of
Social Security Number:*** _____

Dear Sir/Madam:

Enclosed is an election under §83(b) of the Internal Revenue Code of 1986, as amended, with respect to certain shares of stock of Unilife Corporation that were transferred to me on _____, 20__.

Please file this election.

Sincerely,

cc: Corporate Secretary of Unilife Corporation

Awareness Letter from Independent Registered Public Accounting Firm

February 9, 2015

Unilife Corporation
York, Pennsylvania

Re: Registration Statements No. 333-164964, 333-178882, 333-186049, 333-193358, 333-197122 and 333-200223

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated February 9, 2015 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Harrisburg, Pennsylvania

Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alan Shortall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unilife Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2015

/s/ Alan Shortall

Name: Alan Shortall

Title: Chairman and Chief Executive Officer

Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis Pyers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unilife Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2015

/s/ Dennis P. Pyers

Name: Dennis P. Pyers

Title: Interim Chief Financial Officer

**Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Unilife Corporation (the “Company”) on Form 10-Q for the quarterly period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alan Shortall, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2015

/s/ Alan Shortall

Name: Alan Shortall

Title: Chairman and Chief Executive Officer

**Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Unilife Corporation (the “Company”) on Form 10-Q for the quarterly period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dennis P. Pyers, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2015

/s/ Dennis P. Pyers

Name: Dennis P. Pyers

Title: Interim Chief Financial Officer