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 September 30, 2015

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	**27-1049354**
(State or other jurisdiction of incorporation or organization)	(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 November 3, 2015, 139,246,953 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)

	September 30, 2015	June 30, 2015
	(in thousands, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 5,801	$ 12,303
Restricted cash	2,092	2,400
Accounts receivable	1,413	1,530
Inventories	107	151
Prepaid expenses and other current assets	1,206	656
Total current assets	10,619	17,040
Property, plant and equipment, net	79,126	66,148
Goodwill	8,857	9,685
Other assets	1,205	1,256
Total assets	$ 99,807	$ 94,129
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	$ 9,090	$ 4,042
Accrued expenses	19,087	5,074
Current portion of long-term debt	1,243	775
Deferred revenue	3,910	4,942
Total current liabilities	33,330	14,833
Long-term debt, less current portion	80,595	79,660
Deferred revenue	17,550	17,550
Total liabilities	131,475	112,043
Contingencies (Note 10)		
Stockholders' Deficit:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized as of September 30, 2015; none issued or outstanding as of September 30, 2015 and June 30, 2015	—	—
Common stock, $0.01 par value, 250,000,000 shares authorized as of September 30, 2015; 139,138,898 and 131,976,153 shares issued, and 139,110,228 and 131,947,483 shares outstanding as of September 30, 2015 and June 30, 2015, respectively	1,391	1,320
Additional paid-in-capital	377,672	364,817
Accumulated deficit	(410,444)	(384,580)
Accumulated other comprehensive (loss) income	(147)	669
Treasury stock, at cost, 28,670 shares as of September 30, 2015 and June 30, 2015, respectively	(140)	(140)
Total stockholders' deficit	(31,668)	(17,914)
Total liabilities and stockholders' deficit	$ 99,807	$ 94,129

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014
	(in thousands, except per share data)	
Revenue	$ 3,187	$ 1,380
Research and development	16,004	10,976
Selling, general and administrative	9,228	8,200
Depreciation and amortization	1,543	1,100
Total operating expenses	26,775	20,276
Operating loss	(23,588)	(18,896)
Interest expense	1,684	1,109
Change in fair value of financial instruments	602	2,230
Other (income) expense, net	(10)	27
Net loss	(25,864)	(22,262)
Other comprehensive loss:		
Foreign currency translation	816	835
Comprehensive loss	$ (26,680)	$ (23,097)
Net loss per share:		
Basic and diluted net loss per share	$ (0.21)	$ (0.21)

See accompanying notes to the consolidated financial statements.

UNILIFE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Stockholders' Deficit
For the Three Months Ended September 30, 2015
(unaudited)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Capital	Deficit	(Loss) Income	Stock	Total
			(In thousands, except share data)				
Balance as of July 1, 2015	131,976,153	$1,320	$364,817	$ (384,580)	$ 669	$ (140)	$(17,914)
Net loss	—	—	—	(25,864)	—	—	(25,864)
Foreign currency translation	—	—	—	—	(816)	—	(816)
Share-based compensation expense	289,772	2	3,582	—	—	—	3,584
Issuance of common stock from public offerings, net of issuance costs	6,872,973	69	9,273	—	—	—	9,342
Balance as of September 30, 2015	139,138,898	$1,391	$377,672	$ (410,444)	$ (147)	$ (140)	$(31,668)

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended September 30,	
	2015	2014
	(in thousands)	
Cash flows from operating activities:		
Net loss	$(25,864)	$(22,262)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,543	1,100
Share-based compensation expense	3,584	1,888
Recognition of deferred revenue	(1,083)	(125)
Non-cash interest expense	557	225
Change in fair value of financial instruments	602	2,230
Changes in assets and liabilities:		
Accounts receivable	168	(288)
Inventories	44	(5)
Prepaid expenses and other current assets	(550)	228
Other assets	6	71
Accounts payable	4,891	2,619
Accrued expenses	2,479	1,212
Net cash used in operating activities	(13,623)	(13,107)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,785)	(3,594)
Net cash used in investing activities	(2,785)	(3,594)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(144)	(157)
Payment of royalty liability	(212)	—
Proceeds from issuance of debt	600	—
Proceeds from the issuance of common stock, net of issuance costs	9,342	12,401
Decrease in restricted cash	308	312
Net cash provided by financing activities	9,894	12,556
Effect of exchange rate changes on cash	12	8
Net decrease in cash and cash equivalents	(6,502)	(4,137)
Cash and cash equivalents at beginning of period	12,303	8,368
Cash and cash equivalents at end of period	$ 5,801	$ 4,231
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,782	$ 1,273
Supplemental disclosure of non-cash activities		
Purchases of property, plant and equipment in accounts payable and accrued expenses	$ 12,188	$ 107

See accompanying notes to the 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 therapies of its pharmaceutical and biotechnology customers. The Company has a broad portfolio of proprietary product platforms, including pre-filled syringes, wearable injectors, insulin delivery systems, disposable and reusable auto-injectors, drug reconstitution delivery systems, ocular delivery systems and other systems for the targeted delivery of injectable therapies. Products within each platform are differentiated from competitors' products with a series of innovative features designed to optimize the safe, simple and convenient administration of an injectable therapy. The majority of the Company's products are designed for sale directly to pharmaceutical and biotechnology companies who are expected to supply them as drug-device combination products, pre-filled and ready for administration by end-users such as health-care providers or patients. Other of our products, like our reusable auto injectors and certain systems for targeted drug delivery, are designed to be sold to either pharmaceutical or biotechnology companies for use as combination products or to be sold directly by us to a healthcare provider or end user without having the device prefilled by a pharmaceutical company. Products within each of the Company's platforms can be customized to address specific customer, therapy, patient and/or commercial requirements.

The Company's growing base of customers includes Sanofi, MedImmune, AbbVie, Novartis and Hikma. In addition to the filling, assembly and/or packaging of our product with an injectable therapy, the Company's customers are also responsible for the regulatory approval, sale and marketing of their final drug-device combination product. With certain of our devices that we could sell directly to healthcare providers or end users without having them pre-filled with a drug by a pharmaceutical company, we would be responsible for the regulatory approval, sale and marketing of the final device. In addition to product sales, the Company can generate revenue and cash receipts from customization programs, upfront fees and exclusivity or royalty payments.

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, 2015 contained in its Annual Report on Form 10-K.

2. Liquidity

The Company has incurred recurring losses from operations as well as negative cash flows from operating activities during the fiscal year ended June 30, 2015, and the three months ended September 30, 2015, and anticipates incurring additional losses and negative cash flows 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. These factors raise substantial doubt about the Company's ability to continue as a going concern.

On July 29, 2015, the Company entered into a Controlled Equity Offering Sales Agreement (the "New Sales Agreement") with Cantor Fitzgerald & Co., 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 $25.0 million. Through September 30, 2015, the Company has issued 3,628,323 shares for net proceeds of $4.6 million under the New Sales Agreement.

On July 29, 2015, the Company entered into an equity purchase agreement (the "Purchase Agreement") with Lincoln Park Capital Fund, LLC ("LPC"), pursuant to which the Company may sell, from time to time, to LPC up to $45.0 million in shares of the Company's common stock through July 2017, subject to certain limitations and conditions set forth in the Purchase Agreement. Through September 30, 2015, the Company issued 3,244,650 shares of common stock to LPC and received net proceeds of approximately $4.8 million after expenses. The Company is precluded from selling additional shares of common stock to LPC as a result of the Stock Purchase Agreement with Discover Growth Fund, as described below, unless and until we receive shareholder approval on November 16, 2015 of Proposal No. 4 set forth in our definitive proxy statement dated October 2, 2015 (the "LPC Shareholder Approval").

Under the terms of the LPC Purchase Agreement, the Company was required to obtain the consent of LPC prior to completing the Stock Purchase Agreement with Discover Growth Fund. The Company obtained such consent on November 9, 2015 and contemporaneously issued a five-year warrant to purchase 900,000 shares of Common Stock to LPC at an exercise price of $1.00 per share.

On September 2, 2015, Unilife announced that in response to third-party initiated expressions of interest, the Company's Board of Directors had engaged Morgan Stanley & Co. LLC to conduct a review of strategic alternatives to maximize shareholder value (the "Strategic Process"). This process is continuing and we have received interest from several parties. There can be no assurance that this exploration process will result in any initiatives, agreements or transactions that will enhance shareholder value.

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, (the "Lender" or "ROS"), as amended by the First Amendment to the Credit Agreement, dated September 30, 2014, the Second Amendment to the Credit Agreement, dated June 30, 2015, and the Third Amendment to the Credit Agreement dated October 13, 2015 (collectively referred to as the "Amended Credit Agreement"). 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 of $10.0 million each (collectively, the "Loans") were committed by the Lender.

On September 30, 2014 the Borrower entered into a First Amendment to the Credit Agreement pursuant to which it received $10.0 million in proceeds from the second tranche on October 1, 2014 and $10.0 million in proceeds from the third tranche on November 10, 2014. On June 30, 2015, the Borrower entered into a Second Amendment to the Credit Agreement to remove the minimum cash revenue target for the six month period ended June 30, 2015.

On October 13, 2015, the Borrower entered into a Third Amendment to the Credit Agreement. Pursuant to and subject to the terms of the Third Amendment to the Credit Agreement, the Lender agreed to provide Borrower under the Amended Credit Agreement, up to an aggregate additional principal amount of $10.0 million less fees and expenses, to be funded in tranches. Under the terms of the Amended Credit Agreement, the Borrower will be required to make funding requests and the Lender will not be obligated to fund such request unless the Borrower satisfies certain customary conditions precedent and the Lender agrees, in its discretion, to fund such request. As of November 6, 2015, the Borrower had borrowed $6.9 million under the Third Amendment to the Credit Agreement and has up to $3.1 million remaining. 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 requires the Borrower to maintain a cash balance of $3.0 million, rather than $5.0 million, and also contains certain other covenants relating to financial performance, cash revenue targets and liquidity targets, among others.

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 a First Amendment to the Royalty Agreement and concurrent with the Third Amendment to the Credit Agreement, the Borrower entered into a Second Amendment to the Royalty Agreement (collectively with the Royalty Agreement, the "Amended Royalty Agreement"). Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay ROS 4.52% 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 1.75% of net sales in excess of $50.0 million and up to and including $100.0 million in each fiscal year, plus 0.438% of net sales in excess of $100.0 million in each fiscal year. Borrower has the right to buy out the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The buy-out amount ranges from approximately $21.9 million up to a maximum of approximately $37.2 million. The buyout amount varies based on when the buy-out option is exercised and the amounts disclosed assume that the full $10.0 million under the Amended Credit Agreement contemplated by the Third Amendment to the Credit Agreement is funded and would, in each case, be reduced by amounts previously paid by Borrower to ROS pursuant to the Amended Royalty Agreement. In connection with the Third Amendment to the Credit Agreement and the Second Amendment to the Royalty Agreement (together, the "Recent Amendments"), the Borrower also issued an amended and restated promissory note to the Lender (the "Amended and Restated Promissory Note"). The Amended and Restated Promissory Note reflects the Borrower's commitment to repay to the Lender all amounts owed under the Amended Credit Agreement, including the additional amounts contemplated by the Third Amendment to the Credit Agreement.

On November 6, 2015, the Borrower received a waiver from the Lender of the covenant in the Amended Credit Agreement that requires the Borrower to generate $54.1 million in customer cash receipts from January 1, 2015 to December 31, 2015, subject to the Lender's receipt of the fully executed Discover Purchase Agreement and related transaction documents as well as evidence of Borrower's subsequent receipt of $7.5 million in gross proceeds from Discover Growth Fund. There were no other changes to the terms of the Amended Credit Agreement or Amended Royalty Agreement in connection with the waiver.

As previously disclosed, on September 14, 2015 the Company implemented a cost reduction and business realignment initiative pursuant to which the Company reduced its headcount by approximately 50 employees, or 17% of its workforce at the time. In connection with this initiative, we recorded a charge of approximately \$0.4 million to operating expenses in the three month period ending September 30, 2015. On October 14, 2015, the Company implemented a second initiative to further reduce costs and employee headcount. The second cost reduction initiative included the following: (i) a workforce reduction of approximately 20 employees, or approximately 8% of the Company's workforce at the time; and (ii) significant salary reductions for several executives, effective commencing with the October 16th payroll through December 31, 2015, including those described further below. The Company recorded a charge of approximately \$0.1 million from severance costs related to the second cost reduction initiative during the month ended October 31, 2015. Both of these workforce reductions are expected to reduce annual operating costs by approximately \$5.7 million. The Company does not believe that these cost reduction initiatives will negatively impact its ability to serve its customers.

On October 13, 2015, the Company's Chief Executive Officer, Alan D. Shortall, entered into an amendment to his employment agreement with the Company (the "Shortall Amendment"). Pursuant to the Shortall Amendment, Mr. Shortall agreed to a 100% reduction of his base salary and the elimination of Mr. Shortall's car allowance through December 31, 2015.

On October 13, 2015, the Company's Chief Financial Officer, David Hastings, the Company's President and Chief Operating Officer, Ramin Mojdeh, the Company's General Counsel and Secretary, John Ryan, and the Company's Chief Accounting Officer and Treasurer, Dennis Pyers, each entered into amendments to their respective employment agreements with the Company (the "Executive Amendments"). Pursuant to their respective Executive Amendments, Mr. Hastings, Dr. Modjeh, Mr. Ryan and Mr. Pyers agreed to a 50% reduction of their respective base salaries through December 31, 2015. Additionally, under their respective Executive Amendments, Mr. Hastings, Dr. Mojdeh and Mr. Ryan agreed to the elimination of Company-provided automobiles or automobile allowances through December 31, 2015, and Dr. Mojdeh agreed to the elimination of temporary relocation housing payments by the Company through December 31, 2015.

The impact of the implementation of these cost reduction and business realignment initiatives during September and October 2015 is expected to result in a decrease in R&D expense by approximately 30% in fiscal 2016 and selling, general and administrative expense by approximately 20% in fiscal 2016, when compared to the annualized run rate for operating expenses in the fourth quarter of 2015. These percentage decreases exclude share based compensation and depreciation expense.

On November 9, 2015, the Company entered into and closed a Stock Purchase Agreement (the "Discover Purchase Agreement") with Discover Growth Fund, a Cayman Islands exempted mutual fund (the "Fund"). Pursuant to the Discover Purchase Agreement, the Company issued and sold to the Fund 790 shares of the Company's newly designated Series A Redeemable Convertible Preferred Stock of the Company, par value \$0.01 per share (the "Series A Preferred Stock"), at a 5% original issue discount and at a purchase price of \$10,000 per share for total gross proceeds to the Company of \$7.5 million. The Series A Preferred Stock is convertible into shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), at a fixed conversion price of \$1.00 per share (the "Conversion Price"). The shares of Series A Preferred Stock were offered and sold in a registered direct offering (the "Offering") pursuant to the Company's shelf registration statement (File No. 333-197122), which was declared effective by the United States Securities and Exchange Commission (the "SEC") on October 3, 2014.

From the date of issuance, each share of Series A Preferred Stock will accrue dividends at a rate of 8.0% per annum (the "Dividend Rate"), subject to adjustment as discussed below, on its face value of \$10,000 (the "Face Value"), payable upon conversion or redemption of such share and when, as and if otherwise declared by the Company's Board of Directors. Dividends are payable either in cash or in shares of Common Stock at the Company's sole discretion and are valued at (i) if there is no Trigger Event (as defined below), (A) 95.0% of the average of the 5 lowest individual daily volume weighted average prices of the Common Stock on the Trading Market during the applicable Measurement Period, which may be non-consecutive, less \$0.05 per share of Common Stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less \$0.05 per share of Common Stock or (ii) following any Trigger Event, (A) 80.0% of the lowest daily volume weighted average price during any Measurement Period for any conversion by Holder, less \$0.10 per share of Common Stock, not to exceed (B) 80.0% of the lowest sales price on the last day of any Measurement Period, less \$0.10 per share of Common Stock. "Trigger Event" is defined as including, among other events, our uncured breach of the Certificate of Designations and any transaction documents, the occurrence of certain defaults under our material agreements, the suspension of our NASDAQ listing, bankruptcy, the appointment of a receiver, our failure to timely file any report under the Securities Exchange Act of 1934, as amended, or the unenforceability of any material provision of the Certificate of Designations. "Trading Market" is defined as the principal trading exchange or market for the Common Stock. "Measurement Period" is defined as the period beginning on the date of issuance of any such shares of Series A Preferred Stock ("Issuance Date') and ending, if no Trigger Event has occurred 3 trading days, and if a Trigger Event has occurred 30 trading days, after the number of shares have been delivered with respect to a conversion notice.

The dividend rate will adjust (i) downward by an amount equal to 100 basis points for each amount, if any, equal to $0.05 per share of common stock that the volume weighted average price of our common stock on any trading day rises above $1.50, down to a minimum of 0.0%; and (ii) upward by an amount equal to 150 basis points for each amount, if any, equal to $0.05 per share of common stock that volume weighted average price of our common stock on any trading day falls below $0.70, up to a maximum of 15.0%. In addition, the dividend rate will adjust upward by 10.0% upon any Trigger Event.

The Company will have the right, in its sole and absolute discretion, to redeem for cash all or any portion of the shares of Series A Preferred Stock then outstanding by paying the holder the following with respect to such shares: (i) if the redemption takes place on or after the seven-year anniversary of issuance (the "Dividend Maturity Date"), the Face Value; or (ii) if the redemption takes place prior to the Dividend Maturity Date, at an early redemption price equal to the Face Value plus any Conversion Premium (as defined below) minus any dividends paid. The "Conversion Premium" for each share of Series A Preferred Stock means the Face Value multiplied by the product of (A) the applicable Dividend Rate and (B) the number of whole years between the issuance date and the Dividend Maturity Date. The Company has the right to early redemption under certain circumstances, including upon a strategic transaction.

Each share of Series A Preferred Stock will be convertible into such number of shares of Common Stock equal to the Face Value divided by the Conversion Price. The Fund may convert its shares of Series A Preferred Stock at any time, and the Company may effect a conversion if there has been a minimum of $20 million, or 5 times the Face Value of Series A Preferred Stock being converted, whichever is lower, in aggregate trading volume in the prior 20 Trading Days, subject at all times to the Issuance Limitation (as defined below), the volume weighted price of a share of Common Stock is at least $0.50 and certain other conditions set forth in the Certificate of Designations (collectively, the "Equity Conditions"). Shares of Series A Preferred Stock shall mature seven years following the issuance date, at which time such shares will automatically convert into shares of Common Stock. However, we may redeem in cash at maturity, at our option, an amount per share equal to 100% of the liquidation value for the shares being redeemed. Upon any conversion, the Company will be required to issue Common Stock at the Conversion Price and pay the Dividend and Conversion Premium (in cash or, assuming the Equity Conditions are met, in stock at the Company's discretion).

Upon any liquidation, dissolution or winding up of the Company (including by Deemed Liquidation Events as set forth in the Certificate of Designations, the holders of Series A Preferred Stock will be entitled to be paid out of our assets available for distribution to our stockholders, pari passu with holders of our preferred stock and common stock an amount equals to $10,000, plus any accrued but unpaid dividends thereon.

The holder of the Series A Preferred Stock will be prohibited from converting shares of Series A Preferred Stock into shares of our common stock if, as a result of the conversion, the holder, together with its affiliates, would beneficially own more than 4.99% of the total number of shares of our common stock then issued and outstanding, subject to adjustment up to 9.99% upon 61 days' notice from the investor, which is referred to herein as the "Beneficial Ownership Limitation".

The Discover Purchase Agreement also contains representations, warranties and covenants customary for transactions of this type.

As of November 6, 2015, the Company's cash balance was approximately $6.6 million, including restricted cash of $2.0 million. This cash balance does not include proceeds from the Discover Fund Purchase Agreement. The remaining funding under the Amended Credit Agreement and proceeds from the Discover Fund Purchase Agreement along with the Company's cash and restricted cash will provide the Company with sufficient liquidity to fund the Company's operations only to December 31, 2015. However, the Company intends to raise additional capital through other sources, including through and the New Sales Agreement with Cantor Fitzgerald & Co and, if we obtain the LPC Shareholder Approval, through the LPC Purchase Agreement. The Company is also pursuing the Strategic Process. If the Company is able to complete a strategic transaction, the Company expects to have sufficient liquidity to operate the business through at least 12 months from the date of the consolidated financial statements included in this report. In addition, the Company may also pursue alternative sources of financing. However, the Company does not have any guaranteed sources of financing and there can be no assurance that cash from the Amended Credit Agreement, customer agreements or proceeds from the LPC Purchase Agreement or the New Sales Agreement will be available when needed, as such sources of liquidity are not entirely within its control. If it is unable to obtain additional financing or engage in a strategic transaction on acceptable terms and when needed, the Company may default under one or more of its debt obligations. A breach of any of the covenants related to its debt instruments could result in a higher rate of interest to be paid or the lenders could elect to declare all amounts outstanding under the applicable agreements to be immediately due and payable. If the lenders were to make such a demand for repayment, the Company would be unable to pay the obligations as it does not have existing facilities or sufficient cash on hand to satisfy these obligations. These factors, and the factors described above, 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.

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 and cash payments, including exclusivity fees, device customization programs and product sales. Given the substantial size, complexity and long-term duration of many of these prospective agreements, some can take a significant time to negotiate and finalize.

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.

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.

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 raw materials. 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 estimated impairments 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. The Company considers whether a milestone is substantive at the inception of the agreement. The consideration earned from the achievement of a milestone must meet all of the following criteria to be considered substantive:

- It is commensurate with either of the Company’s performance to achieve the milestone, or the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the Company’s performance to achieve the milestone;
- It relates solely to past performance; and
- It is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

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 or 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 statements 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.

Recently Issued Accounting Pronouncements

In May 2014, 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. In August 2015, the FASB issued ASU 2015-14 “Revenue from Contracts with Customers” which deferred the effective date of ASU 2014-09 for all entities by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early application is permitted only as of annual periods beginning after December 15, 2016, including interim reporting periods within that reporting period. With the deferral, the new standard is effective for the Company, on July 1, 2018, with early adoption permitted one year prior. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

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, 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.

In April 2015, FASB issued ASU 2015-03 “Simplifying the Presentation for Debt Issuance Costs”. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The existing recognition and measurement guidance for debt issue costs is not affected by the new guidance. In August 2015, the FASB issued a clarification that debt issue costs related to line-of-credit arrangements were not within the scope of the new guidance and therefore should continue to be accounted for as deferred assets in the balance sheet, consistent with existing GAAP. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the impact this guidance will have on its financial statement presentation and any disclosures.

In July 2015, FASB issued ASU 2015-11 “Simplifying the Measurement of Inventory”. The guidance changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value for entities that do not measure inventory using the last-in, first-out or retail inventory method. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation, which is consistent with existing GAAP. The guidance is effective for fiscal years beginning after December 15, 2016 and is to be applied prospectively. The Company is currently evaluating the impact this guidance will have on its financial statement presentation and any disclosures.

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 $3.6 million and $1.9 million during the three months ended September 30, 2015 and 2014, 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 directors and to recognize the importance of employees and directors 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 and directors 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.

The following is a summary of activity related to stock options held by employees and directors during the three months ended September 30, 2015:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of July 1, 2015	2,508,154	$ 3.78		
Cancelled	(120,828)	3.29		
Expired	(80,000)	2.74		
Outstanding as of September 30, 2015	2,307,326	3.72	6.4	$ 0
Exercisable as of September 30, 2015	1,792,326	$ 3.69	6.3	$ 0

The following is a summary of activity related to stock options and warrants held by persons other than employees and directors during the three months ended September 30, 2015:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of July 1, 2015	1,050,000	$ 4.20		
Outstanding as of September 30, 2015	1,050,000	$ 4.20	1.0	$ 0
Exercisable as of September 30, 2015	1,050,000	$ 4.20	1.0	$ 0

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. There were no options exercised during the three months ended September 30, 2015 and 2014.

There were no options granted during the three months ended September 30, 2015 and 2014.

Restricted Stock

The Company has granted shares of restricted stock to certain employees, directors and consultants under the Amended 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.

The following is a summary of activity related to restricted stock awards during the three months ended September 30, 2015:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested as of July 1, 2015	10,731,776	$ 2.89
Granted	515,000	1.29
Vested	(730,000)	3.20
Cancelled	(269,478)	3.58
Unvested as of September 30, 2015	10,247,298	$ 2.76

5. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 2015	June 30, 2015
	(in thousands)	
Building	$ 32,359	$ 32,359
Machinery and equipment	29,152	27,530
Computer software	2,947	2,910
Furniture and fixtures	1,371	1,345
Construction in progress	30,120	17,601
Land	2,036	2,036
Leasehold improvements	437	270
	98,422	84,051
Less: accumulated depreciation and amortization	(19,296)	(17,903)
Property, plant and equipment, net	$ 79,126	$ 66,148

Construction in progress as of September 30, 2015 consisted of amounts incurred in connection with machinery and equipment and facility related costs, including capitalized interest. Interest capitalized during the three months ended September 30, 2015 and 2014 was $0.7 and $0.6 million, respectively.

The Company is past due with respect to certain billings from the general contractor and sub-contractors related to building and clean room expansion activities for machinery and equipment accounted for as construction in progress as of September 30, 2015. The general contractor and certain sub-contractors have filed mechanics liens against the Company's property in connection with the amounts past due in the amount of approximately $5.6 million.

6. Goodwill

The changes in the carrying amount of goodwill during the three months ended September 30, 2015 are as follows:

	(in thousands)
Balance as of July 1, 2015	$ 9,685
Foreign currency translation	(828)
Balance as of September 30, 2015	$ 8,857

7. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2015	June 30, 2015
	(In thousands)	
Accrued payroll and other employee related expenses	$ 3,968	$2,781
Accrued costs related to construction in process	11,848	314
Accrued other	3,271	1,979
Total accrued expenses	$ 19,087	$5,074

8. Long-Term Debt

Long-term debt consists of the following:

	September 30, 2015	June 30, 2015
	(In thousands)	
10.25% Term loan, due March 2020	$ 56,075	$ 55,518
Amended Royalty Agreement liability	10,320	9,930
6.00% Mortgage loan, due December 2031	12,704	12,812
5.00% Commonwealth of Pennsylvania financing authority loan, due January 2021	2,020	2,033
Other	719	142
	81,838	80,435
Less: current portion of long-term debt	1,243	775
Total long-term debt	$ 80,595	$ 79,660

Term Loan

On March 12, 2014, (the "Closing Date"), the Borrower entered into a 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.

On October 13, 2015, the Company entered into the Third Amendment to the Credit Agreement (the "Amended Credit Agreement"), pursuant to which the Lender agreed to provide Borrower under the Amended Credit Agreement, up to an aggregate additional principal amount of $10.0 million, less fees and expenses incurred in connection with the Recent Amendments, expected to be funded in tranches. Under the terms of the Amended Credit Agreement, the Borrower will be required to make funding requests and the Lender will not be obligated to fund such request unless the Borrower satisfies certain customary conditions precedent and the Lender agrees, in its discretion, to fund such request. Through November 9, 2015, the Company received proceeds under the Amended Credit Agreement in the amount of $6.9 million and has up to $3.1 million remaining. The Amended Credit Agreement also modifies the Borrower's liquidity covenant whereby, under the Amended Credit Agreement, the Borrower is now required to maintain a cash balance of $3.0 million as of October 13, 2015, rather than $5.0 million. The Amended Credit Agreement does not modify the interest rate on the principal amount of the loan.

The Loan bears interest at 9.25% per annum plus the greater of three-month LIBOR or 1.0%, payable in cash quarterly 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 a minimum liquidity target of $3.0 million, 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, UMSL and Unitract Syringe in accordance with the terms of the OrbiMed Credit Agreement and the related security agreements. On June 30, 2015, the Company entered into a Second Amendment to the Credit Agreement to remove the minimum cash revenue target for the six month period ended June 30, 2015. On November 6, 2015, the Borrower received a waiver from the Lender of the minimum cash revenue target for the calendar year ending December 31, 2015, subject to Lender's receipt of the fully executed Discover Purchase Agreement and related transaction documents as well as evidence of Borrower's subsequent receipt of the gross proceeds from the transaction. As of and for the three months ended September 30, 2015, the Company is in compliance with all the loan covenants set forth in the Amended Credit Agreement. However, there can be no assurance that the Company will be able to maintain the minimum liquidity target during the 12-month period from September 30, 2015.

On October 13, 2015, the Borrower entered into the Second Amendment to the Royalty Agreement (the "Amended Royalty Agreement") with ROS, which will entitle ROS to receive royalty payments. Pursuant to and subject to the terms of the Second Amendment to the Royalty Agreement, Borrower has agreed to pay ROS 4.52% on the first $50.0 million of net sales in each fiscal year, plus 1.75% of net sales in excess of $50.0 million and up to and including $100.0 million in each fiscal year, plus 0.438% of net sales in excess of $100.0 million in each fiscal year, up from 3.875%, 1.50% and 0.375%, respectively. Borrower continues to have the right to buy out the Amended Royalty Agreement at any time; however, under the Amended Royalty Agreement, the buy-out amounts have increased. To buy-out the Amended Royalty Agreement on or before March 12, 2016, the Borrower would pay approximately $21.9 million under the Second Amendment to the Royalty Agreement rather than approximately $13.1 million under the First Amendment to the Royalty Agreement. Thereafter, the buy-out amount increases on March 13 of each year up to a maximum of approximately $37.2 million under the Second Amendment to the Royalty Agreement, as compared to approximately $26.3 million under the First Amendment to the Credit Agreement. The buy-out amount varies based on when the buy-out option is exercised and the amounts disclosed assume that the full $10.0 million under the Amended Credit Agreement contemplated by the Third Amendment to the Credit Agreement is funded and would, in each case, be reduced by amounts previously paid by Borrower to ROS pursuant to the Amended Royalty Agreement. In the event of default under the Amended Credit Agreement, Orbimed will have a put option that will make the royalty amounts due immediately. 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 Amended Credit Agreement and the Amended 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 September 30, 2015, the fair value of the Royalty liability was $10.3 million.

There are cross-defaults in the 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 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 Bank loan documents contain 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 sheets, which will remain in place until Cross Farm and Metro agree on the financial covenants. In addition the Company is required to maintain a cash balance of $5.0 million inclusive of the $2.4 million reserve account. The terms of the original Metro Bank 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 is in compliance with its debt covenants as of and for the three months ended September 30, 2015. 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 September 30, 2015. 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.

Loan from our CEO

On September 30, 2015, the Company obtained a loan in the amount of $0.6 million from Alan Shortall, the Company's Chairman and Chief Executive Officer, which is payable on demand by Mr. Shortall (subject to the right of the Lender to consent to the repayment) and requires the payment of interest to Mr. Shortall at the minimum applicable federal rate (0.54% at September 30, 2015). This loan is included in the current portion of long-term debt.

9. Net Loss Per Share

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014
	(In thousands, except share and per share data)	
Numerator		
Net loss	$ (25,864)	$ (22,262)
Denominator		
Weighted average number of shares used to compute basic net loss per share	124,527,993	105,049,820
Effect of dilutive options to purchase common stock	—	—
Weighted average number of shares used to compute diluted net loss per share	124,527,993	105,049,820
Basic and diluted net loss per share	$ (0.21)	$ (0.21)

Due to the Company's net losses, unvested shares of restricted stock (participating securities) totaling 10,635,240 and 2,402,052 were excluded from the calculation of basic and diluted net loss per share during the three months ended September 30, 2015 and 2014, respectively.

In addition, stock options (non-participating securities) totaling 3,066,685 and 3,663,407 during the three months ended September 30, 2015 and 2014, 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 for the three months ended September 30, 2014 solely due to the Company's net loss position. Had the Company reported net income during the three months ended September 30, 2015 and 2014, these shares would have had an effect of 0 and 48,009 diluted shares, respectively, for purposes of calculating diluted net income 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 that it is not probable that an unfavorable outcome will result.

In addition, the Company is or was involved in the following legal proceedings. A former employee, Talbot Smith, who was terminated for cause by Unilife, filed a civil complaint in the United States District Court of the Eastern District of Pennsylvania on August 30, 2013, and an amended complaint on March 5, 2014, alleging that he was wrongly terminated in retaliation for making allegations about the Company's compliance practices. We and various third parties, including law firms and regulatory consulting firms, investigated the allegations made by Mr. Smith and determined that his allegations were without merit, and the Company brought counterclaims against Mr. Smith. Discovery concluded and in February 2015 we filed our motions for summary judgment with the District Court, seeking entry of judgment in favor of the Company on the claims brought by Mr. Smith against the Company, and entry of judgment in favor of the Company on the claims brought by the Company against Mr. Smith.

Following the discovery process and while the Company's motions for summary judgment were pending before the District Court, on August 18, 2015, Mr. Smith dismissed his claims against the Company with prejudice.

As previously disclosed, subsequent to the filing of the OSHA complaint by Mr. Smith, we 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 stated 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 has provided 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. On June 4, 2015, the parties entered into a Memorandum of Understanding agreeing to the basic terms of a non-monetary settlement of the action. The parties are negotiating the final terms of a stipulated settlement to be submitted to the Court for approval.

On September 14, 2015 the Company was served with a purported injunctive action filed in the Superior Court of the State of Connecticut by Biodel, Inc. seeking to temporarily enjoin the Company from entering into a transaction that will jeopardize the Company's ability to perform its obligations under the Company's agreement with Biodel and a claim for damages under the Connecticut Unfair Trade Practices Act. On September 30, 2015 the Company filed a motion to dismiss the complaint in its entirety for failure to state a legally cognizable claim and that Biodel's claims for relief are meritless, and that motion is currently pending. The Company believes that Biodel's claims and demands for relief are wholly without merit, and the Company is vigorously defending the action.

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

11. Revenue

The Company recognized $3.2 million and $1.4 million of revenue during the three months ended September 30, 2015 and 2014, respectively.

During the three months ended September 30, 2015 four customers accounted for 25%, 24%, 24% and 20% of consolidated revenue, respectively. During the three months ended September 30, 2014 one customer accounted for 56% of consolidated revenue.

During the three months ended September 30, 2015, the Company recognized $1.8 million of revenue related to substantive milestones, as follows:

The Company recognized $0.5 million of revenue during the three months ended September 30, 2015 pursuant to a feasibility agreement with a customer related to substantive milestones that were completed and accepted. This agreement provides for certain customization and development activities for a drug delivery system to be performed for the customer and provides for payments to be made upon the completion of agreed-upon substantive milestones. An initial up-front payment of $0.1 million was determined to be non-substantive and is being recognized on a straight line basis over the expected term of the agreement. The remaining milestones were determined to be substantive at the time the agreement was entered into. Substantive milestones that were achieved during the three months ended September 30, 2015 are as follows:

- $0.5 million for development and delivery of additional human factor stimuli and a report on updated product requirements;

The remaining substantive milestones as of September 30, 2015 are as follows:

- $1.2 million for development and delivery of semi-functional prototypes and related feasibility, product requirement, and risk management reports.

The Company recognized $0.6 million of revenue during the three months ended September 30, 2015 pursuant to a master services and supply agreement with a customer related to substantive milestones that were completed and accepted. This agreement provides for certain customization and development activities for a drug delivery system to be performed for the customer and provides for payments to be made upon the completion of agreed-upon substantive milestones. An initial up-front payment of $1.1 million was determined to be non-substantive and is being recognized on a straight-line basis over the expected term of the agreement. The remaining milestones were determined to be substantive at the time the agreement was entered into. Substantive milestones that were achieved during the three months ended September 30, 2015 are as follows:

- $0.6 million for development and delivery of a complete system layout;

The remaining substantive milestones as of September 30, 2015 are as follows:

- $0.3 million for development and delivery of components for a human factor study;
- $0.6 million for development and delivery of feasibility devices for testing;
- $0.6 million for development and delivery of a clinical production process;

- $0.4 million for development and delivery of components for a human factor study;
- $0.4 million for completion of testing of assembly equipment;
- $0.3 million for completion of filling process of clinical devices;
- $0.4 million for delivery of containers for the filling process; and
- $0.3 million for delivery of devices for clinical studies.

The Company recognized $0.3 million of revenue during the three months ended September 30, 2015 pursuant to a feasibility agreement with a customer related to substantive milestones that were completed and accepted. This agreement provides for certain customization and development activities for a drug delivery system to be performed for the customer and provides for payments to be made upon the completion of agreed-upon milestones. An initial up-front payment of $0.5 million was determined to be non-substantive and is being recognized on a straight-line basis over the expected term of the agreement. The remaining milestones were determined to be substantive at the time the agreement was entered into. Substantive milestones that were achieved during the three months ended September 30, 2015 are as follows:

- $0.3 million for development and delivery of a summary report related to testing and documentation activities.

There are no remaining substantive milestones under this agreement.

The Company recognized $0.4 million of revenue during the three months ended September 30, 2015 pursuant to a master services and supply agreement with a customer related to substantive milestones that were completed and accepted. This agreement provides for certain customization and development activities for a drug delivery system to be performed for the customer and provides for payments to be made upon the completion of agreed-upon substantive milestones. An initial up-front payment of $1.0 million was determined to be non-substantive and is being recognized on a straight-line basis over the expected term of the agreement. The remaining milestones were determined to be substantive at the time the agreement was entered into. Substantive milestones that were achieved during the three months ended September 30, 2015 are as follows:

- $0.4 million for development and delivery of feasibility devices for testing;

The remaining substantive milestones as of September 30, 2015 are as follows:

- $0.6 million for delivery of design transfer for the Device and the related filling equipment and fixtures; and
- $0.3 million for commissioning of the pilot line.

During the three months ended September 30, 2015, the Company recognized $1.4 million in revenue related to services rendered on a time and materials basis, proportional performance method and/or straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services.

During the three months ended September 30, 2014, the Company recognized $0.2 million of revenue related to substantive milestones, as follows:

The Company recognized $0.2 million of revenue during the three months ended September 30, 2014 pursuant to a feasibility agreement with a customer related to substantive milestones that were completed and accepted. This agreement provides for certain customization and development activities for a drug delivery system to be performed for the customer and provides for payments to be made upon the completion of agreed-upon milestones. The milestones were determined to be substantive at the time the agreement was entered into. Substantive milestones that were achieved during the three months ended September 30, 2014 were as follows:

- $0.1 million for development of customized devices for testing; and
- $0.1 million for development and delivery of testing activities and related reporting.

There are no remaining substantive milestones under this agreement.

During the three months ended September 30, 2014, the Company recognized $1.2 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.

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:

	September 30, 2015		June 30, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Royalty agreement liability	$10,320	$ 10,320	$ 9,930	$ 9,930

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:				
September 30, 2015	$ —	$ —	$ 10,320	$ 10,320
June 30, 2015	$ —	$ —	$ 9,930	$ 9,930

The following table presents the changes in the fair value of the level 3 financial instruments for the three months ended September 30, 2015 and the year ended June 30, 2015.

	Royalty Agreement Liability
June 30, 2014	$ 6,400
Royalty payments	(749)
Increase in royalty liability	4,279
June 30, 2015	$ 9,930
Royalty payments	(212)
Increase in royalty liability	602
September 30, 2015	$ 10,320

Following is a description of the valuation methodology used to measure the Amended Royalty Agreement liability at fair value. There have been no changes in the methodology used during the three months ended September 30, 2015:

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 and royalty rates.

13. Subsequent Events

During October 2015, the Company entered into a supply agreement under its November 2013 Master Development and Supply Agreement ("MDSA") with a global biologics customer. This supply agreement provides commercial terms for the long-term supply of a customized device from Unilife's Precision-Therapy™ platform of wearable injectors for the lead indication of a monoclonal antibody in the customer's pipeline in late-stage clinical studies. This new supply agreement provides minimum purchase commitments from the customer for the initial four years following the commercial launch of the lead indication of this biologic, as well as unit pricing for the devices.

In the second quarter of fiscal 2016, the Company delivered to AbbVie customized electronic reusable auto-injectors based on the LISA™ device platform on schedule for use in human factors studies. Unilife will recognize $1.2 million in revenue in the second quarter of fiscal 2016 from AbbVie for completion of the LISA™ feasibility program in addition to payments received for earlier achieved milestones under the program.

The exclusivity period for the LISA™ device platform granted by Unilife under the definitive global strategic agreement signed with AbbVie on January 15, 2015, commences with Unilife's completion of the deliverables under the feasibility program. The milestones tied to the exclusive period for the Unifill Finesse™ prefilled syringe have also been successfully completed. The parties are also working on agreements for other drug delivery systems, and the relationship between Unilife and AbbVie continues to be strong.

See note 2 "Liquidity" for more information regarding other subsequent events.

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 and the following additional risks: that the Lender may, as permitted under the Amended Credit Agreement, exercise its discretion not to make additional loans to the Company; that we may not be successful in raising additional capital, that we may not receive sufficient cash from customer agreements; that we may not be able to enter into or complete any strategic transaction; that the Company may not achieve the benefits of the reduction in force; and that the sale of securities pursuant to the Discover Purchase Agreement or other financings may result in significant dilution for shareholders.

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, wearable injectors, insulin delivery systems, disposable and reusable auto-injectors, drug reconstitution delivery systems, ocular delivery systems and other systems for the targeted delivery of injectable therapies. Products within each platform are differentiated from competitors’ products with a series of innovative features designed to optimize the safe, simple and convenient administration of an injectable therapy. The majority of our products are designed for sale directly to pharmaceutical and biotechnology companies who are expected to supply them as drug-device combination products, prefilled and ready for administration by end-users, such as health-care providers or patients. Other of our products, like our reusable auto-injectors and certain systems for targeted drug delivery, are designed to either be sold to pharmaceutical or biotechnology companies for use as combination products or to be sold directly by us to a health care provider or end user without having the device pre-filled by a pharmaceutical company. 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 are party to 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 months ended September 30, 2015.

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. See “Liquidity and Capital Resources Discussion” below.

Revenue

Our revenue is currently generated from customization, industrialization and development fees (many of which are recognized on the milestone basis of accounting). Customization, industrialization and development fees accounted for substantially all of our consolidated revenue during the three months ended September 30, 2015. Product sales historically have not had a meaningful impact on our revenue; however, we expect over time they will begin to account for an increasing portion of our revenue as we increase sales to customers during fiscal year 2016 and beyond.

We expect our revenue to increase over time as we continue to deliver under our existing contracts with our customers and enter into additional agreements with new and existing customers; however, our revenue could fluctuate on a quarter to quarter basis. 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 in response to increasing demand from our customers for our products and services. 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, could 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.

Recently Issued Accounting Pronouncements

See note 3 “Recently Issued Accounting Pronouncements” to our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Basis of Presentation

Revenue

We derive revenue primarily from 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 of 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 months ended September 30, 2015 and 2014:

	Three Months Ended September 30,	
	2015	2014
	(in thousands, except per share data)	
Revenue	$ 3,187	$ 1,380
Research and development	16,004	10,976
Selling, general and administrative	9,228	8,200
Depreciation and amortization	1,543	1,100
Total operating expenses	26,775	20,276
Operating loss	(23,588)	(18,896)
Interest expense	1,684	1,109
Change in fair value of financial instruments	602	2,230
Other (income) expense, net	(10)	27
Net loss	$ (25,864)	$ (22,262)
Net loss per share:		
Basic and diluted net loss per share	$ (0.21)	$ (0.21)

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Revenue. Revenue increased by $1.8 million or 130.9%. During the three months ended September 30, 2015, we recognized approximately $1.8 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 September 30, 2015, we recognized $1.4 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 September 30, 2014, we recognized approximately $0.2 million of revenue related to substantive milestones that were completed during the period and $1.2 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 over time 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: however, our revenue could fluctuate on a quarter to quarter basis.

Research and development expenses. Research and development expenses increased by $5.0 million or 45.8% primarily due to increased payroll and related costs of $2.1 million related to increased headcount to support ongoing and future customer programs, increased material and tooling costs of $1.1 million, increased share-based compensation expense of $0.8 million, increased third-party contracting cost of $0.6 million and increased other costs of $0.4 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.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by $1.0 million or 12.5% primarily due to increased share-based compensation expense of $0.9 million and increased payroll and related costs of $0.6 million offset by decreased legal fees of $0.5 million.

Depreciation and amortization expense. Depreciation and amortization expense increased by $0.4 million or 40.3% primarily as a result of additional equipment previously placed in service.

Interest expense. Interest expense increased by $0.6 million or 51.8% primarily attributable to interest on the OrbiMed financing.

Change in fair value of financial instruments. Change in fair value of financial instruments decreased by $1.6 million in the current quarter. The decrease is related to the change in the fair value of the Royalty liability in connection with the OrbiMed financing which is revalued each quarter.

Net loss and net loss per share. Net loss during the three months ended September 30, 2015 and 2014 was $25.9 million and $22.3 million, respectively. Basic and diluted net loss per share was $0.21 on weighted average shares outstanding of 124,527,993 and 105,049,820, respectively. The increase in the weighted average shares outstanding was primarily due to the issuance of common stock in connection with shares issued under the New Sales Agreement and Purchase Agreement as well as shares issued in our public offering in February 2015.

Liquidity and Capital Resources

The Company has incurred recurring losses from operations as well as negative cash flows from operating activities during the fiscal year ended June 30, 2015, and the three months ended September 30, 2015, and anticipates incurring additional losses and negative cash flows 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. These factors raise substantial doubt about the Company's ability to continue as a going concern.

On July 29, 2015, the Company entered into a Controlled Equity Offering Sales Agreement (the "New Sales Agreement") with Cantor Fitzgerald & Co., 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 $25.0 million. Through September 30, 2015, the Company has issued 3,628,323 shares for net proceeds of $4.6 million under the New Sales Agreement.

On July 29, 2015, the Company entered into an equity purchase agreement (the "Purchase Agreement") with Lincoln Park Capital Fund, LLC ("LPC"), pursuant to which the Company may sell, from time to time, to LPC up to $45.0 million in shares of the

Company’s common stock through July 2017, subject to certain limitations and conditions set forth in the Purchase Agreement. Through September 30, 2015, the Company issued 3,244,650 shares of common stock to LPC and received net proceeds of approximately $4.8 million after expenses. The Company is precluded from selling additional shares of common stock to LPC as a result of the Stock Purchase Agreement with Discover Growth Fund, as described below, unless and until we receive shareholder approval on November 16, 2015 of Proposal No. 4 set forth in our definitive proxy statement dated October 2, 2015 (the “LPC Shareholder Approval”).

Under the terms of the LPC Purchase Agreement, the Company was required to obtain the consent of LPC prior to completing the Stock Purchase Agreement with Discover Growth Fund. The Company obtained such consent on November 9, 2015 and contemporaneously issued a five-year warrant to purchase 900,000 shares of Common Stock to LPC at an exercise price of $1.00 per share.

On September 2, 2015, Unilife announced that in response to third-party initiated expressions of interest, the Company’s Board of Directors had engaged Morgan Stanley & Co. LLC to conduct a review of strategic alternatives to maximize shareholder value (the “Strategic Process”). This process is continuing and we have received interest from several parties. There can be no assurance that this exploration process will result in any initiatives, agreements or transactions that will enhance shareholder value.

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, (the “Lender” or “ROS”), as amended by the First Amendment to the Credit Agreement, dated September 30, 2014, the Second Amendment to the Credit Agreement, dated June 30, 2015, and the Third Amendment to the Credit Agreement dated October 13, 2015 (collectively referred to as the “Amended Credit Agreement”). 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 of $10.0 million each (collectively, the “Loans”) were committed by the Lender.

On September 30, 2014 the Borrower entered into a First Amendment to the Credit Agreement pursuant to which it received $10.0 million in proceeds from the second tranche on October 1, 2014 and $10.0 million in proceeds from the third tranche on November 10, 2014. On June 30, 2015, the Borrower entered into a Second Amendment to the Credit Agreement to remove the minimum cash revenue target for the six month period ended June 30, 2015.

On October 13, 2015, the Borrower entered into a Third Amendment to the Credit Agreement. Pursuant to and subject to the terms of the Third Amendment to the Credit Agreement, the Lender agreed to provide Borrower under the Amended Credit Agreement, up to an aggregate additional principal amount of $10.0 million less fees and expenses, to be funded in tranches. Under the terms of the Amended Credit Agreement, the Borrower will be required to make funding requests and the Lender will not be obligated to fund such request unless the Borrower satisfies certain customary conditions precedent and the Lender agrees, in its discretion, to fund such request. As of November 6, 2015, the Borrower had borrowed $6.9 million under the Third Amendment to the Credit Agreement and has up to $3.1 million remaining. 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 requires the Borrower to maintain a cash balance of $3.0 million, rather than $5.0 million, and also contains certain other covenants relating to financial performance, cash revenue targets and liquidity targets, among others.

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 a First Amendment to the Royalty Agreement and concurrent with the Third Amendment to the Credit Agreement, the Borrower entered into a Second Amendment to the Royalty Agreement (collectively with the Royalty Agreement, the “Amended Royalty Agreement”). Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay ROS 4.52% 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 1.75% of net sales in excess of $50.0 million and up to and including $100.0 million in each fiscal year, plus 0.438% of net sales in excess of $100.0 million in each fiscal year. Borrower has the right to buy out the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The buy-out amount ranges from approximately $21.9 million up to a maximum of approximately $37.2 million. The buyout amount varies based on when the buy-out option is exercised and the amounts disclosed assume that the full $10.0 million under the Amended Credit Agreement contemplated by the Third Amendment to the Credit Agreement is funded and would, in each case, be reduced by amounts previously paid by Borrower to ROS pursuant to the Amended Royalty Agreement. In connection with the Third Amendment to the Credit Agreement and the Second Amendment to the Royalty Agreement (together, the “Recent Amendments”), the Borrower also issued an amended and restated promissory note to the Lender (the “Amended and Restated Promissory Note”). The Amended and Restated Promissory Note reflects the Borrower’s commitment to repay to the Lender all amounts owed under the Amended Credit Agreement, including the additional amounts contemplated by the Third Amendment to the Credit Agreement.

On November 6, 2015, the Borrower received a waiver from the Lender of the covenant in the Amended Credit Agreement that requires the Borrower to generate $54.1 million in customer cash receipts from January 1, 2015 to December 31, 2015, subject to the Lender's receipt of the fully executed Discover Purchase Agreement and related transaction documents as well as evidence of Borrower's subsequent receipt of $7.5 million in gross proceeds from Discover Growth Fund. There were no other changes to the terms of the Amended Credit Agreement or Amended Royalty Agreement in connection with the waiver.

As previously disclosed, on September 14, 2015 the Company implemented a cost reduction and business realignment initiative pursuant to which the Company reduced its headcount by approximately 50 employees, or 17% of its workforce at the time. In connection with this initiative, we recorded a charge of approximately $0.4 million to operating expenses in the three month period ending September 30, 2015. On October 14, 2015, the Company implemented a second initiative to further reduce costs and employee headcount. The second cost reduction initiative included the following: (i) a workforce reduction of approximately 20 employees, or approximately 8% of the Company's workforce at the time; and (ii) significant salary reductions for several executives, effective commencing with the October 16th payroll through December 31, 2015, including those described further below. The Company recorded a charge of approximately $0.1 million from severance costs related to the second cost reduction initiative during the month ended October 31, 2015. Both of these workforce reductions are expected to reduce annual operating costs by approximately $5.7 million. The Company does not believe that these cost reduction initiatives will negatively impact its ability to serve its customers.

On October 13, 2015, the Company's Chief Executive Officer, Alan D. Shortall, entered into an amendment to his employment agreement with the Company (the "Shortall Amendment"). Pursuant to the Shortall Amendment, Mr. Shortall agreed to a 100% reduction of his base salary and the elimination of Mr. Shortall's car allowance through December 31, 2015.

On October 13, 2015, the Company's Chief Financial Officer, David Hastings, the Company's President and Chief Operating Officer, Ramin Mojdeh, the Company's General Counsel and Secretary, John Ryan, and the Company's Chief Accounting Officer and Treasurer, Dennis Pyers, each entered into amendments to their respective employment agreements with the Company (the "Executive Amendments"). Pursuant to their respective Executive Amendments, Mr. Hastings, Dr. Modjeh, Mr. Ryan and Mr. Pyers agreed to a 50% reduction of their respective base salaries through December 31, 2015. Additionally, under their respective Executive Amendments, Mr. Hastings, Dr. Mojdeh and Mr. Ryan agreed to the elimination of Company-provided automobiles or automobile allowances through December 31, 2015, and Dr. Mojdeh agreed to the elimination of temporary relocation housing payments by the Company through December 31, 2015.

The impact of the implementation of these cost reduction and business realignment initiatives during September and October 2015 is expected to result in a decrease in R&D expense by approximately 30% in fiscal 2016 and selling, general and administrative expense by approximately 20% in fiscal 2016, when compared to the annualized run rate for operating expenses in the fourth quarter of 2015. These percentage decreases exclude share based compensation and depreciation expense.

On November 9, 2015, the Company entered into and closed a Stock Purchase Agreement (the "Discover Purchase Agreement") with Discover Growth Fund, a Cayman Islands exempted mutual fund (the "Fund"). Pursuant to the Discover Purchase Agreement, the Company issued and sold to the Fund 790 shares of the Company's newly designated Series A Redeemable Convertible Preferred Stock of the Company, par value $0.01 per share (the "Series A Preferred Stock"), at a 5% original issue discount and at a purchase price of $10,000 per share for total gross proceeds to the Company of $7.5 million. The Series A Preferred Stock is convertible into shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), at a fixed conversion price of $1.00 per share (the "Conversion Price"). The shares of Series A Preferred Stock were offered and sold in a registered direct offering (the "Offering") pursuant to the Company's shelf registration statement (File No. 333-197122), which was declared effective by the United States Securities and Exchange Commission (the "SEC") on October 3, 2014.

From the date of issuance, each share of Series A Preferred Stock will accrue dividends at a rate of 8.0% per annum (the "Dividend Rate"), subject to adjustment as discussed below, on its face value of $10,000 (the "Face Value"), payable upon conversion or redemption of such share and when, as and if otherwise declared by the Company's Board of Directors. Dividends are payable either in cash or in shares of Common Stock at the Company's sole discretion and are valued at (i) if there is no Trigger Event (as defined below), (A) 95.0% of the average of the 5 lowest individual daily volume weighted average prices of the Common Stock on the Trading Market during the applicable Measurement Period, which may be non-consecutive, less $0.05 per share of Common Stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less $0.05 per share of Common Stock or (ii) following any Trigger Event, (A) 80.0% of the lowest daily volume weighted average price during any Measurement Period for any conversion by Holder, less $0.10 per share of Common Stock, not to exceed (B) 80.0% of the lowest sales price on the last day of any Measurement Period, less $0.10 per share of Common Stock. "Trigger Event" is defined as including, among other events, our uncured breach of the Certificate of Designations and any transaction documents, the occurrence of certain defaults under our material agreements, the suspension of our NASDAQ listing, bankruptcy, the appointment of a receiver, our failure to timely file any report under the Securities Exchange Act of 1934, as amended, or the unenforceability of any material provision of the Certificate of Designations. "Trading Market" is defined as the principal trading exchange or market for the Common Stock. "Measurement

Period" is defined as the period beginning on the date of issuance of any such shares of Series A Preferred Stock ("Issuance Date') and ending, if no Trigger Event has occurred 3 trading days, and if a Trigger Event has occurred 30 trading days, after the number of shares have been delivered with respect to a conversion notice.

The dividend rate will adjust (i) downward by an amount equal to 100 basis points for each amount, if any, equal to $0.05 per share of common stock that the volume weighted average price of our common stock on any trading day rises above $1.50, down to a minimum of 0.0%; and (ii) upward by an amount equal to 150 basis points for each amount, if any, equal to $0.05 per share of common stock that volume weighted average price of our common stock on any trading day falls below $0.70, up to a maximum of 15.0%. In addition, the dividend rate will adjust upward by 10.0% upon any Trigger Event.

The Company will have the right, in its sole and absolute discretion, to redeem for cash all or any portion of the shares of Series A Preferred Stock then outstanding by paying the holder the following with respect to such shares: (i) if the redemption takes place on or after the seven-year anniversary of issuance (the "Dividend Maturity Date"), the Face Value; or (ii) if the redemption takes place prior to the Dividend Maturity Date, at an early redemption price equal to the Face Value plus any Conversion Premium (as defined below) minus any dividends paid. The "Conversion Premium" for each share of Series A Preferred Stock means the Face Value multiplied by the product of (A) the applicable Dividend Rate and (B) the number of whole years between the issuance date and the Dividend Maturity Date. The Company has the right to early redemption under certain circumstances, including upon a strategic transaction.

Each share of Series A Preferred Stock will be convertible into such number of shares of Common Stock equal to the Face Value divided by the Conversion Price. The Fund may convert its shares of Series A Preferred Stock at any time, and the Company may effect a conversion if there has been a minimum of $20 million, or 5 times the Face Value of Series A Preferred Stock being converted, whichever is lower, in aggregate trading volume in the prior 20 Trading Days, subject at all times to the Issuance Limitation (as defined below), the volume weighted price of a share of Common Stock is at least $0.50 and certain other conditions set forth in the Certificate of Designations (collectively, the "Equity Conditions"). Shares of Series A Preferred Stock shall mature seven years following the issuance date, at which time such shares will automatically convert into shares of Common Stock. However, we may redeem in cash at maturity, at our option, an amount per share equal to 100% of the liquidation value for the shares being redeemed. Upon any conversion, the Company will be required to issue Common Stock at the Conversion Price and pay the Dividend and Conversion Premium (in cash or, assuming the Equity Conditions are met, in stock at the Company's discretion).

Upon any liquidation, dissolution or winding up of the Company (including by Deemed Liquidation Events as set forth in the Certificate of Designations, the holders of Series A Preferred Stock will be entitled to be paid out of our assets available for distribution to our stockholders, pari passu with holders of our preferred stock and common stock an amount equals to $10,000, plus any accrued but unpaid dividends thereon.

The holder of the Series A Preferred Stock will be prohibited from converting shares of Series A Preferred Stock into shares of our common stock if, as a result of the conversion, the holder, together with its affiliates, would beneficially own more than 4.99% of the total number of shares of our common stock then issued and outstanding, subject to adjustment up to 9.99% upon 61 days' notice from the investor, which is referred to herein as the "Beneficial Ownership Limitation".

The Discover Purchase Agreement also contains representations, warranties and covenants customary for transactions of this type.

As of November 6, 2015, the Company's cash balance was approximately $6.6 million, including restricted cash of $2.0 million. This cash balance does not include proceeds from the Discover Fund Purchase Agreement. The remaining funding under the Amended Credit Agreement and proceeds from the Discover Fund Purchase Agreement along with the Company's cash and restricted cash will provide the Company with sufficient liquidity to fund the Company's operations only to December 31, 2015. However, the Company intends to raise additional capital through other sources, including through and the New Sales Agreement with Cantor Fitzgerald & Co and, if we obtain the LPC Shareholder Approval, through the LPC Purchase Agreement. The Company is also pursuing the Strategic Process. If the Company is able to complete a strategic transaction, the Company expects to have sufficient liquidity to operate the business through at least 12 months from the date of the consolidated financial statements included in this report. In addition, the Company may also pursue alternative sources of financing. However, the Company does not have any guaranteed sources of financing and there can be no assurance that cash from the Amended Credit Agreement, customer agreements or proceeds from the LPC Purchase Agreement or the New Sales Agreement will be available when needed, as such sources of liquidity are not entirely within its control. If it is unable to obtain additional financing or engage in a strategic transaction on acceptable terms and when needed, the Company may default under one or more of its debt obligations. A breach of any of the covenants related to its debt instruments could result in a higher rate of interest to be paid or the lenders could elect to declare all amounts outstanding under the applicable agreements to be immediately due and payable. If the lenders were to make such a demand for repayment, the Company would be unable to pay the obligations as it does not have existing facilities or sufficient cash on hand to satisfy these obligations. These factors, and the factors described above, 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.

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 and cash payments, including exclusivity fees, device customization programs and product sales. Given the substantial size, complexity and long-term duration of many of these prospective agreements, some can take a significant time to negotiate and finalize.

The following table summarizes our cash flows during the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015 (in thousands)	Three Months Ended September 30, 2014 (in thousands)
Net cash (used in) provided by:		
Operating activities	$(13,623)	$(13,107)
Investing activities	(2,785)	(3,594)
Financing activities	9,894	12,556

Net Cash Used In Operating Activities

Net cash used in operating activities during the three months ended September 30, 2015 was $13.6 million compared to $13.1 million during the three months ended September 30, 2014. The increase in net cash used in operating activities was primarily due to the increase in net loss during the period, partially offset by the increase in accounts payable and accrued liabilities.

Net Cash Used in Investing Activities

Net cash used in investing activities during the three months ended September 30, 2015 and 2014 was $2.8 million and $3.6 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 three months ended September 30, 2015 was $9.9 million compared to $12.6 million during the three months ended September 30, 2014.

During the three months ended September 30, 2015, we received $9.3 million in net proceeds from the issuance of common stock from our New Sales Agreement with Cantor Fitzgerald & Co. and our Purchase Agreement with LPC, $0.6 million in proceeds from borrowings from our CEO, which was partially offset by $0.4 million in principal debt repayments and royalty payments.

During the three months ended September 30, 2014, we received $12.4 million of proceeds in connection with our public offering of common stock under the Sales Agreement partially offset by $0.2 million in debt payments.

Contractual Obligations and Commitments

The following table provides information regarding our contractual obligations as of September 30, 2015:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(In thousands)		
Long-term debt and related interest	$107,469	$ 8,276	$15,117	$67,782	$ 16,294
Operating leases	8,609	1,241	2,502	2,553	2,313
Purchase obligations	17,180	17,180	—	—	—
Total contractual obligations	$133,258	$ 26,697	$17,619	$70,335	$ 18,607

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

A former employee, Talbot Smith, who was terminated for cause by Unilife, filed a civil complaint in the United States District Court of the Eastern District of Pennsylvania on August 30, 2013, and an amended complaint on March 5, 2014, alleging that he was wrongly terminated in retaliation for making allegations about the Company's compliance practices. We and various third parties, including law firms and regulatory consulting firms, investigated the allegations made by Mr. Smith and determined that his allegations were without merit, and the Company brought counterclaims against Mr. Smith. Discovery concluded and in February 2015 we filed our motions for summary judgment with the District Court, seeking entry of judgment in favor of the Company on the claims brought by Mr. Smith against the Company, and entry of judgment in favor of the Company on the claims brought by the Company against Mr. Smith.

Following the discovery process and while the Company's motions for summary judgment were pending before the District Court, on August 18, 2015, Mr. Smith dismissed his claims against the Company with prejudice.

In connection with the resolution and dismissal of the action, Mr. Smith agreed to make a payment to the Company to settle the Company's claims against him. Mr. Smith received no payment as part of the resolution and dismissal of his claims against the Company, and his attorney received a reduced portion of her fees from the Company's insurer. The entire action in the District Court has been dismissed with prejudice and the matter is now concluded.

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 ours, 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. On June 4, 2015, the parties entered into a Memorandum of Understanding agreeing to the basic terms of a non-monetary settlement of the action. The parties are negotiating the final terms of a stipulated settlement to be submitted to the Court for approval.

On September 14, 2015 we were served with a purported injunctive action filed in the Superior Court of the State of Connecticut by Biodel, Inc. seeking to temporarily enjoin the Company from entering into a transaction that will jeopardize the Company's ability to perform its obligations under our agreement with Biodel and a claim for damages under the Connecticut Unfair Trade Practices Act. On September 30, 2015 we filed a motion to dismiss the complaint in its entirety for failure to state a legally cognizable claim and that Biodel's claims for relief are meritless, and that motion is currently pending. We believe that Biodel's claims and demands for relief are wholly without merit and we are vigorously defending the action.

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

Item 5. Other Information

CEO Pledge of Common Stock

As disclosed in our definitive proxy statement dated October 2, 2015, our CEO Alan Shortall previously pledged 4,851,668 shares of our common stock as security for several loans from two lenders. As a result of the decline in the market price of our common stock, Mr. Shortall defaulted on the loans with one of the lenders and, upon such default, Mr. Shortall may be deemed to have transferred beneficial ownership of 2,951,668 shares of common stock (the "Default Shares") to the lender on September 30, 2015. As of the date hereof, Mr. Shortall has negotiated various amendments to and/or forbearance agreements with respect to these loans as a result of which, among other things, (1) Mr. Shortall made cash payments to the lenders, pledged an additional 450,000 shares of common stock to one of the lenders, may be deemed to have reacquired beneficial ownership of the Default Shares as of October 26, 2015, and is required to make future cash payments of up to $1,204,400 in the aggregate on or before March 31, 2016 and/or deliver additional collateral of up to $722,298.09 in the aggregate on or before January 15, 2016; (2) the market prices at which the loans with one of the lenders may trigger default were reset to either $0.941 per share (for two loans) or $1.003 per share (for one loan), provided that such lender has agreed not to take any action with respect to any default arising from the market price of the common stock until March 31, 2016; (3) the market price at which the loans with the other lender would default was reset to $0.70 per share for the period of October 28, 2015 to January 14, 2016 and $0.77 per share for the period from and after January 15, 2016; (4) Mr. Shortall may be required to make future cash payments to one of the lenders at maturity; and (5) certain collateral will be held by one of the lenders for one year following loan settlement. If the market price of the common stock declines or if Mr. Shortall does not comply with his other obligations under the loan documents, Mr. Shortall may again default on these loans, in which event Mr. Shortall may forfeit his pledged shares and any other collateral, among other things.

On November 3, 2015, Mr. Shortall disclosed the foregoing matters and filed forms of the relevant loan agreements, amendments and forbearance agreements in an amendment to his Schedule 13D filed with the Securities and Exchange Commission.

Item 6. Exhibits

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

Exhibit No.	Description of Exhibit	Included Herewith
10.1	Third Amendment to Credit Agreement, dated October 13, 2015 by and among Unilife Medical Solutions, Inc. and ROS Acquisition Offshore LP. incorporated by reference to the designated exhibit of the Company's Current Report on Form 8-K filed October 16, 2015	
10.2	Second Amendment to Royalty Agreement, dated October 13, 2015 by and among Unilife Medical Solutions, Inc. and Royal Opportunities S.À R.L. incorporated by reference to the designated exhibit of the Company's Current Report on Form 8-K filed October 16, 2015	
10.3	Amended and Restated Promissory Note, dated as of October 13, 2015, for up to $70,000,000 by Unilife Medical Solutions, Inc. in favor of ROS Acquisition Offshore LP. incorporated by reference to the designated exhibit of the Company's Current Report on Form 8-K filed October 16, 2015	
10.4	Waiver to Credit Agreement, dated November 6, 2015 by and among Unilife Medical Solutions, Inc. and ROS Acquisition Offshore	X
10.5	Promissory Note, dated September 30, 2015, for $600,000 by Unilife Corporation in favor of Alan D. Shortall	X
10.6	Fourth Amendment to Employment Agreement, dated October 13, 2015, by and between Unilife Corporation and Alan D. Shortall	X
10.7	Fifth Amendment to Employment Agreement, dated October 13, 2015, by and between Unilife Corporation and Ramin Mojdeh, Ph.D.	X
10.8	First Amendment to Employment Agreement, dated October 13, 2015, by and between Unilife Corporation and David C. Hastings	X
10.9	First Amendment to Employment Agreement, dated October 13, 2015, by and between Unilife Corporation and Dennis P. Pyers	X
10.10	Second Amendment to Employment Agreement, dated October 13, 2015, by and between Unilife Corporation and John C. Ryan	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
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: November 9, 2015

UNILIFE CORPORATION

By: /s/ David C. Hastings
David C. Hastings
Chief Financial Officer

Exhibit 10.4

WAIVER TO CREDIT AGREEMENT

This WAIVER TO CREDIT AGREEMENT (this "Waiver") is made and entered into as of November 6, 2015 by and among UNILIFE MEDICAL SOLUTIONS, INC., a Delaware corporation (the "Borrower"), the other Creditor Obligors party hereto and ROS ACQUISITION OFFSHORE LP, a Cayman Islands exempted limited partnership (the "Lender").

WHEREAS, the Borrower and the Lender are party to that certain Credit Agreement, dated as of March 12, 2014 (as amended from time to time, the "Credit Agreement"), pursuant to which the Lenders have extended credit to the Borrower on the terms set forth therein;

WHEREAS, the Borrower has advised the Lender that it intends to issue to Discover Growth Fund $7,900,000 principal amount of Series A Redeemable Convertible Preferred Stock at an original issue discount of 5% and at $10,000 per share, with $7,500,000 in gross proceeds to be received on or near the date hereof (the "Preferred Equity Investment") and otherwise on the terms and conditions set forth in the term sheet delivered to Lender on October 30, 2015 (the "Term Sheet");

WHEREAS, the Borrower has requested that the Lender waive the Revenue Base covenant in Section 8.4(a) of the Credit Agreement with respect to the calendar year ending December 31, 2015, as more fully described herein; and

WHEREAS, the Lender is willing to execute this Wavier only upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions; Loan Document. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement. This Waiver shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Waiver becomes effective, refer to the Credit Agreement as amended hereby.

2. Waiver. Subject to the terms and conditions set forth herein, the Lender hereby waives (a) the requirement that the Revenue Base for the calendar year ending December 31, 2015 be at least $54,100,000 as set forth in Section 8.4(a) of the Credit Agreement, and (b) any Event of Default that would occur under Section 9.1(c) of the Credit Agreement for any failure to meet such requirement.

3. Conditions to Effectiveness of Waiver. This Waiver shall become effective upon delivery by the Lender to Borrower of a counterpart signature to this Waiver duly executed by the Lender, and receipt (i) by the Lender of executed definitive documentation with

Discover Growth Fund on the terms and conditions set forth in the Term Sheet, (ii) by the Lender of evidence satisfactory to the Lender that Holdings has received $7,500,000 cash proceeds of the Preferred Equity Investment from Discover Growth Fund, and (iii) by the Lender of a counterpart signature to this Waiver duly executed and delivered by the Borrower and each of the other Credit Obligors.

4. Expenses. The Borrower agrees to pay on demand all expenses of the Lender (including, without limitation, the fees and out-of-pocket expenses of Covington & Burling LLP, counsel to the Lender, and of local counsel, if any, who may be retained by or on behalf of the Lender) incurred in connection with the negotiation, preparation, execution and delivery of this Waiver and all other expenses of the Lender remaining unpaid as of the date hereof.

5. Representations and Warranties. The Credit Obligors represent and warrant to the Lender as follows:

(a) The representations and warranties of the Borrower and the Guarantors contained in the Credit Agreement or any other Loan Document shall, (i) with respect to representations and warranties that contain a materiality qualification, be true and correct in all respects on and as of the date hereof, and (ii) with respect to representations and warranties that do not contain a materiality qualification, be true and correct in all material respects on and as of the date hereof, and except that the representations and warranties limited by their terms to a specific date shall be true and correct as of such date.

(b) No Default or Event of Default has occurred or is continuing.

(c) (i) Each Credit Obligor has taken all necessary action to authorize the execution, delivery and performance of this Waiver; (ii) this Waiver has been duly executed and delivered by the Credit Obligors and constitutes each of the Credit Obligors' legal, valid and binding obligations, enforceable in accordance with its terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity), and (iii) no authorization or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery or performance by any Credit Obligor of this Waiver.

6. No Implied Amendment or Waiver. Except as expressly set forth in this Waiver, this Waiver shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Lender under the Credit Agreement or the other Loan Documents, or alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Credit Agreement or the other Loan Documents, all of which shall continue in full force and effect. Nothing in this Waiver shall be construed to imply any willingness on the part of the Lender to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents.

7. Reaffirmation of Security Interests. The Credit Obligors (i) affirm that each of the security interests and liens granted in or pursuant to the Loan Documents are valid and subsisting and (ii) agree that this Waiver shall in no manner impair or otherwise adversely affect any of the security interests and liens granted in or pursuant to the Loan Documents.

8. Reaffirmation of Guarantee. Each Guarantor (a) acknowledges and consents to all of the terms and conditions of this Waiver, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Waiver and all documents executed in connection herewith do not operate to reduce or discharge the Guarantor's obligations under the Loan Documents.

9. Waiver and Release. TO INDUCE THE LENDER TO AGREE TO THE TERMS OF THIS WAIVER, EACH CREDIT OBLIGOR REPRESENTS AND WARRANTS THAT AS OF THE DATE HEREOF THERE ARE NO CLAIMS OR OFFSETS AGAINST OR RIGHTS OF RECOUPMENT WITH RESPECT TO OR DEFENSES OR COUNTERCLAIMS TO ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS AND IN ACCORDANCE THEREWITH IT:

(a) WAIVES ANY AND ALL SUCH CLAIMS, OFFSETS, RIGHTS OF RECOUPMENT, DEFENSES OR COUNTERCLAIMS, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE DATE HEREOF; AND

(b) RELEASES AND DISCHARGES THE LENDER, ITS AFFILIATES AND ITS AND THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SHAREHOLDERS AND ATTORNEYS (COLLECTIVELY THE "RELEASED PARTIES") FROM ANY AND ALL OBLIGATIONS, INDEBTEDNESS, LIABILITIES, CLAIMS, RIGHTS, CAUSES OF ACTION OR DEMANDS WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, IN LAW OR EQUITY, WHICH THE BORROWER EVER HAD, NOW HAS, CLAIMS TO HAVE OR MAY HAVE AGAINST ANY RELEASED PARTY ARISING PRIOR TO THE DATE HEREOF AND FROM OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

10. Counterparts; Governing Law. This Waiver may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of such when so executed and delivered shall be an original, but all of such counterparts shall together constitute but one and the same agreement. Delivery of an executed counterpart of a signature page of this Waiver by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Waiver. THIS WAIVER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Waiver to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

UNILIFE MEDICAL SOLUTIONS, INC.

By: /s/ John Ryan
Name: John Ryan
Title: Senior Vice President, General Counsel and Secretary

UNILIFE CORPORATION

By: /s/ John Ryan
Name: John Ryan
Title: Senior Vice President, General Counsel and Secretary

UNILIFE CROSS FARM LLC

By: /s/ John Ryan
Name: John Ryan
Title: Senior Vice President, General Counsel and Secretary

Executed by **Unilife Medical Solutions Pty Limited** in accordance with Section 127 of the *Corporations Act 2001*

/s/ Alan D. Shortall
Signature of director

/s/ Ramin Mojdeh
Signature of director/company secretary
(Please delete as applicable)

Alan D. Shortall
Name of director (print)

Ramin Mojdeh
Name of director/company secretary (print)

Executed by **Unitract Syringe Pty Ltd** in accordance with Section 127 of the *Corporations Act 2001*

/s/ Alan D. Shortall
Signature of director

/s/ Ramin Mojdeh
Signature of director/company secretary
(Please delete as applicable)

Alan D. Shortall
Name of director (print)

Ramin Mojdeh
Name of director/company secretary (print)

ROS ACQUISITION OFFSHORE LP,
as the Lender
By OrbiMed Advisors LLC, its investment manager

By: /s/ Samuel Isaly
Name: Sam Isaly
Title: Managing Member

Signature Page to Waiver to Credit Agreement

Exhibit 10.5

PROMISSORY NOTE

$600,000.00 September 30, 2015

FOR VALUE RECEIVED, Unilife Corporation, a corporation organized under the laws of the Commonwealth of Pennsylvania (the “Payor”), hereby promises to pay to Alan Shortall (the “Payee”), the principal amount of $600,000.00, together with interest on the unpaid balance of the principal amount from time to time outstanding, from September 30, 2015 until repayment in full of the principal amount, at a rate equal to the minimum applicable federal rate.

The principal amount of this Promissory Note, together with interest accrued and unpaid through the date of payment, shall be payable on demand, subject to the right of the Company’s lender to consent to the repayment. All such amounts shall be payable at 250 Cross Farm Lane, York, Pennsylvania 17406 or such other place as the Payee shall specify to the Payor.

The Payor may at any time and from time to time prepay all or any portion of the principal sum of this Promissory Note without penalty or premium.

The Payor hereby waives presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Promissory Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Promissory Note.

If any provision of this Promissory Note is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Promissory Note shall remain in full force and effect in order to give effect to the provisions of this Promissory Note.

This Promissory Note is made and delivered in and shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to choice of law rules.

IN WITNESS WHEREOF, the undersigned has caused this Promissory Note to be executed the day and year first above written.

UNILIFE CORPORATION

By: /s/ David Hastings
Name: David Hastings
Title: Senior Vice President & Chief Financial Officer

Exhibit 10.6

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this "Amendment"), dated and effective as of October 13, 2015, is made by and between UNILIFE CORPORATION ("Unilife"), and ALAN D. SHORTALL ("SHORTALL").

WHEREAS, Unilife and Shortall have entered into an employment agreement, dated as of September 30, 2011 (the "Agreement"), as amended by agreements dated September 15, 2014 and September 17, 2014, in connection with Shortall's employment by Unilife;

WHEREAS, Section 15 of the Agreement provides that Unilife and Shortall may amend the Agreement by mutual agreement in writing; and

WHEREAS, Unilife and Shortall desire to amend the Agreement as set forth herein; and

WHEREAS, in consideration for Shortall's continued employment, Unilife and Shortall desire to continue Shortall's employment subject to the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. Section 3(a) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife's payroll ending October 9, 2015 and through December 31, 2015, Shortall's base salary payable during such period shall be reduced by one hundred percent (100%). Effective January 1, 2016, Shortall shall again be entitled to his base salary payable in accordance with Unilife's standard payroll practices.

2. Section 4(d) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife's payroll ending October 9, 2015 and through December 31, 2015, Unilife will not provide Shortall with the car allowance set forth in this Section 4(d). Effective January 1, 2016, Shortall shall again be entitled to the car allowance set forth in this Section 4(d).

3. Capitalized terms not defined herein shall have the meaning set forth in the Agreement. This Amendment contains the entire agreement between the parties concerning the subject matter of this Amendment and supersedes any prior agreements or understandings between the parties concerning the subject matter of this Amendment, whether oral or written. The parties acknowledge, in entering into this Amendment that they have not relied upon any promise or inducement not specifically set forth herein. All other provisions of the Agreement and any prior amendments not modified or amended by this Amendment shall continue in full force and effect.

4. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

<signature page follows>

IN WITNESS HEREOF, and wishing to be legally bound, Unilife has caused this Amendment to be executed by its duly authorized officer, and Shortall has executed this Amendment, in each case on the date first set forth above.

UNILIFE CORPORATION

By: /s/ John Ryan

Title: Senior Vice President, General Counsel and Secretary

ALAN D. SHORTALL

/s/ Alan D. Shortall

Exhibit 10.7

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this “Amendment”), dated and effective as of October 13, 2015, is made by and between UNILIFE CORPORATION (“Unilife”), and RAMIN MOJDEHBAKHSH, Ph.D. (“Mojdeh”).

WHEREAS, Unilife and Mojdeh have entered into an employment agreement, dated as of July 1, 2012 (the “Agreement”), as amended by agreements dated September 12, 2013, September 15, 2014, September 17, 2014 and January 9, 2015, in connection with Mojdeh’s employment by Unilife;

WHEREAS, Section 15 of the Agreement provides that Unilife and Mojdeh may amend the Agreement by mutual agreement in writing; and

WHEREAS, Unilife and Mojdeh desire to amend the Agreement as set forth herein; and

WHEREAS, in consideration for Mojdeh’s continued employment, Unilife and Mojdeh desire to continue Mojdeh’s employment subject to the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. Section 3(a) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife’s payroll ending October 9, 2015 and through December 31, 2015, Mojdeh’s base salary payable during such period shall be reduced by fifty percent (50%). Effective January 1, 2016, Mojdeh shall again be entitled to his base salary payable in accordance with Unilife’s standard payroll practices.

2. Section 9(a) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife’s payroll ending October 9, 2015 and through December 31, 2015, Mojdeh shall directly and promptly reimburse Unilife for the lease payments made on the temporary housing provided to Mojdeh by Unilife and for the automobile payments made by Unilife on Mojdeh’s behalf during this period. Effective January 1, 2016, Mojdeh shall no longer be required to directly reimburse Unilife for the housing and automobile payment made by Unilife on Mojdeh’s behalf.

3. Section 6(b)(iv) of the Agreement is amended by adding the following paragraph at the end thereof:

Mojdeh acknowledges and agrees his voluntary acceptance of the reduction in his base salary under Section 3(a) change in his relocation and temporary housing allowance under Section 9(a), effective with Unilife’s payroll ending October 9, 2015, constitutes a knowing and voluntary waiver of any opportunity to exercise the rights otherwise set forth in this Section 6(b)(iv) which may have arisen related to the change to the terms and conditions of his employment.

4. Capitalized terms not defined herein shall have the meaning set forth in the Agreement. This Amendment contains the entire agreement between the parties concerning the subject matter of this Amendment and supersedes any prior agreements or understandings between the parties concerning the subject matter of this Amendment, whether oral or written. The parties acknowledge, in entering into this Amendment that they have not relied upon any promise or inducement not specifically set forth herein. All other provisions of the Agreement and any prior amendments not modified or amended by this Amendment shall continue in full force and effect.

5. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

<signature page follows>

IN WITNESS HEREOF, Unilife has caused this Amendment to be executed by its duly authorized officer, and Mojdeh has executed this Amendment, in each case on the date first set forth above.

UNILIFE CORPORATION

By: /s/ John Ryan

Title: Senior Vice President, General Counsel and Secretary

RAMIN MOJDEHBAKHSH, Ph.D.:

/s/ Ramin Mojdehbakhsh

Exhibit 10.8

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this “Amendment”), dated and effective as of October 13, 2015, is made by and between UNILIFE CORPORATION (“Unilife”), and DAVID C. HASTINGS (“Hastings”).

WHEREAS, Unilife and Hastings have entered into an employment agreement, dated as of January 9, 2015 and effective February 23, 2015 (the “Agreement”), in connection with Hastings’ employment by Unilife;

WHEREAS, Section 14 of the Agreement provides that Unilife and Hastings may amend the Agreement by mutual agreement in writing; and

WHEREAS, Unilife and Hastings desire to amend the Agreement as set forth herein; and

WHEREAS, in consideration for Hastings’ continued employment, Unilife and Hastings desire to continue Hastings’ employment subject to the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. Section 3(a) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife’s payroll ending October 9, 2015 and through December 31, 2015, Hastings’ base salary payable during such period shall be reduced by fifty percent (50%). Effective January 1, 2016, Hastings shall again be entitled to his base salary payable in accordance with Unilife’s standard payroll practices.

2. Section 4(e) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife’s payroll ending October 9, 2015 and through December 31, 2015, Unilife will not provide Hastings with the car allowance set forth in this Section 4(e) . Effective January 1, 2016, Hastings shall again be entitled to the car allowance set for the in this Section 4(e).

3. Section 6(b)(iv) of the Agreement is amended by adding the following paragraph at the end thereof:

Hastings acknowledges and agrees his voluntary acceptance of the reduction in his base salary under Section 3(a) and required reimbursement of automobile lease payments under section 4(e), effective with Unilife’s payroll ending October 9, 2015, constitutes a knowing and voluntary waiver of any opportunity to exercise the rights otherwise set forth in this Section 6(b)(iv) which may have arisen related to the change to the terms and conditions of his employment.

4. Capitalized terms not defined herein shall have the meaning set forth in the Agreement. This Amendment contains the entire agreement between the parties concerning the subject matter of this Amendment and supersedes any prior agreements or understandings between the parties concerning the subject matter of this Amendment, whether oral or written. The parties acknowledge, in entering into this Amendment that they have not relied upon any promise or inducement not specifically set forth herein. All other provisions of the Agreement and any prior amendments not modified or amended by this Amendment shall continue in full force and effect.

5. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

<signature page follows>

IN WITNESS HEREOF, and wishing to be legally bound, Unilife has caused this Amendment to be executed by its duly authorized officer, and Hastings has executed this Amendment, in each case on the date first set forth above.

UNILIFE CORPORATION

By: /s/ John Ryan

Title: Senior Vice President, General Counsel and Secretary

DAVID C. HASTINGS

/s/ David C. Hastings

Exhibit 10.9

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this “Amendment”), dated and effective as of October 13, 2015, is made by and between UNILIFE CORPORATION (“Unilife”), and DENNIS P. PYERS (“Pyers”).

WHEREAS, Unilife and Pyers have entered into an employment agreement, dated as of September 10, 2015 (the “Agreement”), in connection with Pyers’ employment by Unilife;

WHEREAS, Section 14 of the Agreement provides that Unilife and Pyers may amend the Agreement by mutual agreement in writing; and

WHEREAS, Unilife and Pyers desire to amend the Agreement as set forth herein; and

WHEREAS, in consideration for Pyers’ continued employment, Unilife and Pyers desire to continue Pyers’ employment subject to the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. Section 3(a) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife’s payroll ending October 9, 2015 and through December 31, 2015, Pyers’ base salary payable during such period shall be reduced by fifty percent (50%). Effective January 1, 2016, Pyers shall again be entitled to his base salary payable in accordance with Unilife’s standard payroll practices.

2. Capitalized terms not defined herein shall have the meaning set forth in the Agreement. This Amendment contains the entire agreement between the parties concerning the subject matter of this Amendment and supersedes any prior agreements or understandings between the parties concerning the subject matter of this Amendment, whether oral or written. The parties acknowledge, in entering into this Amendment that they have not relied upon any promise or inducement not specifically set forth herein. All other provisions of the Agreement and any prior amendments not modified or amended by this Amendment shall continue in full force and effect.

3. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

<signature page follows>

IN WITNESS HEREOF, and wishing to be legally bound, Unilife has caused this Amendment to be executed by its duly authorized officer, and Pyers has executed this Amendment, in each case on the date first set forth above.

UNILIFE CORPORATION

By: /s/ John Ryan

Title: Senior Vice President, General Counsel and Secretary

DENNIS P. PYERS

/s/ Dennis P. Pyers

Exhibit 10.10

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this "Amendment"), dated and effective as of October 13, 2015, is made by and between UNILIFE CORPORATION ("Unilife"), and JOHN C. RYAN ("Ryan").

WHEREAS, Unilife and Ryan have entered into an employment agreement, dated as of September 15, 2014 (the "Agreement"), as amended by an agreement dated January 9, 2015, in connection with Ryan's employment by Unilife;

WHEREAS, Section 14 of the Agreement provides that Unilife and Ryan may amend the Agreement by mutual agreement in writing; and

WHEREAS, Unilife and Ryan desire to amend the Agreement as set forth herein; and

WHEREAS, in consideration for Ryan's continued employment, Unilife and Ryan desire to continue Ryan's employment subject to the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. Section 3(a) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife's payroll ending October 9, 2015 and through December 31, 2015, Ryan's base salary payable during such period shall be reduced by fifty percent (50%). Effective January 1, 2016, Ryan shall again be entitled to his base salary payable in accordance with Unilife's standard payroll practices.

2. Section 4(e) of the Agreement is amended by adding the following sentence at the end thereof:

Notwithstanding the foregoing, effective with Unilife's payroll ending October 9, 2015 and through December 31, 2015, Ryan shall directly and promptly reimburse Unilife for the automobile lease payments made by Unilife on Ryan's behalf during this period. Effective January 1, 2016, Ryan shall no longer be required to directly reimburse Unilife for the automobile lease payments made by Unilife on Ryan's behalf.

3. Section 6(b)(iv) of the Agreement is amended by adding the following paragraph at the end thereof:

Ryan acknowledges and agrees his voluntary acceptance of the reduction in his base salary under Section 3(a) and required reimbursement of automobile lease payments under section 4(e), effective with Unilife's payroll ending October 9, 2015, constitutes a knowing and voluntary waiver of any opportunity to exercise the rights otherwise set forth in this Section 6(b)(iv) which may have arisen related to the change to the terms and conditions of his employment.

4. Capitalized terms not defined herein shall have the meaning set forth in the Agreement. This Amendment contains the entire agreement between the parties concerning the subject matter of this Amendment and supersedes any prior agreements or understandings between the parties concerning the subject matter of this Amendment, whether oral or written. The parties acknowledge, in entering into this Amendment that they have not relied upon any promise or inducement not specifically set forth herein. All other provisions of the Agreement and any prior amendments not modified or amended by this Amendment shall continue in full force and effect.

5. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

<signature page follows>

IN WITNESS HEREOF, and wishing to be legally bound, Unilife has caused this Amendment to be executed by its duly authorized officer, and Ryan has executed this Amendment, in each case on the date first set forth above.

UNILIFE CORPORATION

By: /s/ Alan Shortall

Title: Chairman and Chief Executive Officer

JOHN C. RYAN

/s/ John C. Ryan

Exhibit 31.1

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: November 9, 2015

/s/ Alan Shortall
Name: Alan Shortall
Title: Chairman and Chief Executive Officer

Exhibit 31.2

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, David C. Hastings, 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: November 9, 2015

/s/ David C. Hastings
Name: David C. Hastings
Title: Chief Financial Officer

Exhibit 32.1

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 September 30, 2015 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: November 9, 2015

/s/ Alan Shortall
Name: Alan Shortall
Title: Chairman and Chief Executive Officer

Exhibit 32.2

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 September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David C. Hastings, 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: November 9, 2015

/s/ David C. Hastings
Name: David C. Hastings
Title: Chief Financial Officer