

UNILIFE CORP

FORM 10-Q (Quarterly Report)

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Address	250 CROSS FARM LANE YORK, PA 17406
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2016

OR

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

For the transition period from _____ to _____

Commission file number 001-34540

UNILIFE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

As of February 2, 2017, 18,147,033 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)

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	<u>(in thousands, except share data)</u>	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 9,309	\$ 18,702
Restricted cash	2,700	2,400
Accounts receivable	2,914	374
Inventories	100	89
Prepaid expenses and other current assets	6,258	1,645
Total current assets	21,281	23,210
Property, plant and equipment, net	52,309	54,773
Goodwill	9,136	9,423
Other assets	256	255
Total assets	\$ 82,982	\$ 87,661
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	\$ 2,624	\$ 2,662
Accrued expenses	15,894	13,710
Current portion of long-term debt	702	669
Deferred revenue	5,160	1,660
Total current liabilities	24,380	18,701
Long-term debt, less current portion	125,403	104,445
Warrant liability	2,147	3,351
Derivative liability	457	347
Deferred revenue	48,047	47,550
Other long-term liabilities	640	—
Total liabilities	201,074	174,394
Contingencies (Note 11)		
Stockholders' Deficit:		
Redeemable convertible preferred stock, Series A, \$0.01 par value, 790 shares authorized as of December 31, 2016 and June 30, 2016; none issued and outstanding as of December 31, 2016 and June 30, 2016	—	—
Preferred stock, \$0.01 par value, 50,000,000 shares authorized as of December 31, 2016; none issued and outstanding as of December 31, 2016 and June 30, 2016	—	—
Common stock, \$0.01 par value, 350,000,000 shares authorized as of December 31, 2016; 17,441,917 and 17,488,032 shares issued, and 17,357,160 and 17,411,651 shares outstanding as of December 31, 2016 and June 30, 2016, respectively	174	175
Additional paid-in-capital	401,107	398,862
Accumulated deficit	(518,645)	(485,363)
Accumulated other comprehensive income	91	380
Treasury stock, at cost, 84,757 shares as of December 31, 2016 and 76,381 shares at June 30, 2016	(819)	(787)
Total stockholders' deficit	(118,092)	(86,733)
Total liabilities and stockholders' deficit	\$ 82,982	\$ 87,661

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
	(in thousands, except per share data)		(in thousands, except per share data)	
Revenue	\$ 2,340	\$ 4,499	\$ 4,053	\$ 7,686
Operating expenses:				
Research and development	5,701	10,533	12,504	26,537
Selling, general and administrative	6,089	8,774	14,267	18,002
Depreciation and amortization	996	1,422	2,686	2,965
Total operating expenses	<u>12,786</u>	<u>20,729</u>	<u>29,457</u>	<u>47,504</u>
Operating loss	(10,446)	(16,230)	(25,404)	(39,818)
Interest expense	4,488	1,872	8,774	3,556
Change in fair value of financial instruments	380	7,325	(881)	7,927
Other income, net	(5)	(4)	(15)	(14)
Net loss	<u>(15,309)</u>	<u>(25,423)</u>	<u>(33,282)</u>	<u>(51,287)</u>
Other comprehensive loss (income), net:				
Foreign currency translation	523	(378)	289	438
Comprehensive loss	<u>\$ (15,832)</u>	<u>\$ (25,045)</u>	<u>\$ (33,571)</u>	<u>\$ (51,725)</u>
Net loss per share:				
Basic and diluted net loss per share	<u>\$ (0.92)</u>	<u>\$ (1.98)</u>	<u>\$ (2.00)</u>	<u>\$ (4.05)</u>

See accompanying notes to the consolidated financial statements.

UNILIFE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Stockholders' Deficit
For the Six Months Ended December 31, 2016
(unaudited)

	<u>Common Stock</u>		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount					
	(In thousands, except share data)						
Balance as of July 1, 2016	17,488,032	\$ 175	\$ 398,862	\$ (485,363)	\$ 380	\$ (787)	\$ (86,733)
Net loss	—	—	—	(33,282)	—	—	(33,282)
Foreign currency translation	—	—	—	—	(289)	—	(289)
Share-based compensation expense	(37,739)	(1)	2,245	—	—	—	2,244
Shares forfeited in lieu of payroll taxes	(8,376)	—	—	—	—	(32)	(32)
Balance as of December 31, 2016	<u>17,441,917</u>	<u>\$ 174</u>	<u>\$ 401,107</u>	<u>\$ (518,645)</u>	<u>\$ 91</u>	<u>\$ (819)</u>	<u>\$ (118,092)</u>

See accompanying notes to the consolidated financial statements.

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

	Six Months Ended December 31,	
	2016	2015
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$ (33,282)	\$ (51,287)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,686	2,965
Share-based compensation expense	2,244	7,020
Recognition of deferred revenue	(1,769)	(2,358)
Non-cash interest expense	8,342	1,194
Change in fair value of financial instruments	(881)	7,927
Non-cash sublease charge	709	—
Changes in assets and liabilities:		
Restricted cash - related party	—	2,264
Accounts receivable	(2,540)	(797)
Inventories	(11)	29
Prepaid expenses and other current assets	387	(1,825)
Other assets	—	6
Accounts payable	7	6,651
Due to related party	—	(2,264)
Accrued expenses	(2,672)	1,255
Deferred revenue	3,503	15,501
Other long-term liabilities	4	—
Net cash used in operating activities	(23,273)	(13,719)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(482)	(6,750)
Net cash used in investing activities	(482)	(6,750)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(261)	(289)
Payment of royalty liability	(41)	(309)
Proceeds from former CEO loan	—	600
Proceeds from the issuance of long-term debt	—	10,000
Proceeds from the issuance of convertible debt, net of financing fee	15,000	—
Proceeds from the issuance of common stock, net of issuance costs	—	9,387
Proceeds from the issuance of preferred stock, net of issuance costs	—	7,172
Payment of financing costs	—	(143)
Shares forfeited in lieu of payroll taxes	(32)	—
Dividend payment on redeemable convertible preferred stock	—	(280)
Increase in restricted cash	(300)	—
Net cash provided by financing activities	14,366	26,138
Effect of exchange rate changes on cash	(4)	(1)
Net (decrease) increase in cash and cash equivalents	(9,393)	5,668
Cash and cash equivalents at beginning of period	18,702	12,303
Cash and cash equivalents at end of period	<u>\$ 9,309</u>	<u>\$ 17,971</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 432</u>	<u>\$ 2,059</u>
Supplemental disclosure of non-cash activities		
Purchases of property, plant and equipment in accounts payable and accrued expenses	<u>\$ 7</u>	<u>\$ 12,280</u>
Non-cash principal payments on long-term debt	<u>\$ 2,263</u>	<u>\$ —</u>

See accompanying notes to the consolidated financial statements.

1. Description of Business and Unaudited Financial Statements

Unilife Corporation (together with its subsidiaries, the “Company”) was incorporated under the laws of the State of Delaware in 2009 and is based in the Commonwealth of Pennsylvania. The Company began operations in Australia in 2002.

The Company is a designer, manufacturer, and supplier of innovative injectable drug delivery systems that can enhance and differentiate the injectable products of our pharmaceutical and biotechnology customers. While the Company has a broad portfolio of proprietary product platforms, the Company has focused the business on the Company’s wearable injector products. The Company believes its products are differentiated from conventional products, with innovative features and functionality designed to optimize the safe, simple, and convenient administration of injectable therapies. 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 patients or health-care providers. The Company customizes products within each of its platforms to address specific customer, therapy, patient and/or commercial requirements.

The Company is focusing primarily on active and new customer programs in its portfolio of wearable injector products, which the Company expects will improve operating efficiencies and better position the Company to take advantage of commercial opportunities within the fast-growing market for wearable injectors. The Company’s wearable injector customers include Amgen Inc., MedImmune LLC (“MedImmune”), and Sanofi S.A. (“Sanofi”).

In addition to the filling, assembly and/or packaging of the Company’s products with injectable therapies, the Company’s customers are also, with respect to most of its products, responsible for the regulatory approval, sale and marketing of their final drug-device combination products. While at this point the Company’s products have not been sold to end users with the Company’s customers’ injectable therapies, the Company can generate revenue from customization programs, upfront fees, licensing fees, device and development materials, and exclusivity fees.

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, 2016, or fiscal 2016, contained in its Annual Report on Form 10-K.

2. Internal Investigation and Listed Exchange Update

On May 8, 2016, the Company announced an investigation into violations of the Company’s policies and procedures and possible violations of laws and regulations by the Company’s former Chief Executive Officer, Alan Shortall, whose employment with the Company ceased on March 11, 2016, and its former Chairman, Jim Bosnjak, who resigned from the Company’s Board of Directors (the “Board”) on August 24, 2015 (the “Investigation”). The Board established a Special Committee to oversee the Investigation. Independent counsel conducted the Investigation with the assistance of an advisory firm with forensic accounting expertise. The Investigation was completed on October 7, 2016 and did not identify any material financial loss.

The filing of the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 (the “March 2016 10-Q”) and the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the “2016 10-K”) were delayed as a result of the Investigation. In addition, the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and the Company’s Form 10-Q’s for the first and second quarters of the fiscal year 2016 were amended to correct immaterial misstatements to the financial statements and omissions of related party disclosures. As a result of such delay, on May 17, 2016 and September 19, 2016, the Company received notices from the Listing Qualifications department of The NASDAQ Stock Market LLC (“NASDAQ”) stating that, because the Company had not yet filed the March 2016 10-Q and the 2016 10-K, respectively, the Company was no longer in compliance with NASDAQ Listing Rule 5250(c)(1), which requires listed companies to timely file all required periodic financial reports with the U.S. Securities and Exchange Commission (the “SEC”). On September 8, 2016, NASDAQ granted the Company an exception until November 7, 2016 to regain compliance with NASDAQ Listing Rule 5250(c)(1). The Company filed the March 2016 10-Q and the 2016 10-K on October 24, 2016. On October 27, 2016, the Company received a notice from the Listing Qualifications department of NASDAQ stating that the Company is now in compliance with NASDAQ Listing Rule 5250(c)(1).

On October 17, 2016, the Company received a notice from the Listing Qualifications department of NASDAQ stating that, because the Company did not maintain a minimum Market Value of Listed Securities (“MVLS”) of \$50.0 million for the last 30 consecutive business days, the Company was no longer in compliance with NASDAQ Listing Rule 5450(b)(2)(A).

The Company has been provided a period of 180 calendar days, or until April 17, 2017, to regain compliance with the minimum MVLS listing requirement. If at any time on or before April 17, 2017, the MVLS of the Company’s common stock, par value \$0.01 per share (“common stock”), closes at \$50.0 million or more for a minimum of 10 consecutive business days, NASDAQ will provide the Company with written confirmation that the Company has achieved compliance with the minimum MVLS listing requirement and the matter will be closed.

In the event that the Company does not regain compliance with the minimum MVLS listing requirement on or before April 17, 2017, NASDAQ will provide the Company with written notification that its securities are subject to delisting. At that time, the Company would be permitted to appeal the delisting determination to a NASDAQ Hearings Panel or apply to transfer its common stock to The NASDAQ Capital Market (provided that it satisfied the requirement for continued listing on that market). A transfer of the Company’s common stock to The NASDAQ Capital Market may impact the ability of certain stockholders to retain their holdings in the Company.

3. Liquidity

As of December 31, 2016, the Company’s cash and cash equivalents were \$9.3 million, restricted cash was \$2.7 million and the book value of the Company’s debt was \$126.1 million. As of December 31, 2016, the Company also had a working capital deficit of \$3.1 million. Under the Company’s debt facilities, the Company was required to have a cash and restricted cash balance of \$5.4 million at December 31, 2016.

The Company incurred recurring losses from operations as well as negative cash flows from operating activities during fiscal year 2016 and the six months ended December 31, 2016, 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 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. The Company has taken or intends to take the steps delineated below to address its cash requirements, the success of which is largely beyond the Company’s control.

The Company expects to generate cash receipts from wearable injector customers during fiscal year 2017 and the Company continues to have business development discussions with current and prospective wearable injector customers. The Company does not expect these receipts to be sufficient to materially improve the Company’s liquidity position and is unable to predict the amount, if any, or the timing of such receipts or any proceeds from these business development discussions.

The Company has also engaged a financial advisory firm to further assist with fundraising efforts. This process could result in any number of alternatives, which are likely to be highly dilutive to Company stockholders. There is no assurance that the Company will be successful in these efforts or, if successful, that the Company will be able to obtain favorable terms.

In February 2016, the Company and Unilife Medical Solutions, Inc., a wholly owned subsidiary of the Company (“Unilife Medical Solutions”) and, together with the Company, (the “Company Parties”) entered into a Securities Purchase Agreement (the “Counterparty SPA”) with Amgen Inc. (the “Counterparty”), pursuant to which the Counterparty agreed to purchase from the Company Parties a new series of 6% Senior Secured Convertible Notes Due 2023 in the aggregate original principal amount of up to \$55.0 million (the “Notes”). Pursuant to the Counterparty SPA, the Notes were to be issuable in up to three separate closings. The Company issued to Counterparty the first Note in the aggregate original principal amount of \$30.0 million on February 22, 2016, and Counterparty paid to the Company \$30.0 million in exchange therefor (“February 2016 Convertible Note”). Pursuant to the Counterparty SPA, the Counterparty originally was entitled to purchase two additional Notes in January 2017 (the “2017 Convertible Note”) and January 2018 (the “2018 Convertible Note”) in the amounts of \$15.0 million and \$10.0 million respectively. Each of the Notes is convertible at the Counterparty’s election into shares of common stock at any time prior to February 22, 2023, at a price per share that is 90% of the volume weighted average price of such shares during the 20 trading days preceding the applicable conversion date (the “Discounted Sale Price”), subject to a floor price of \$12.50 per share (the “Conversion Rate Floor Price”). The Conversion Rate Floor Price under each of the Notes is subject to customary adjustments for certain capital events.

On October 24, 2016, the Company Parties and the Counterparty entered into a letter agreement (the “October Counterparty Letter Agreement”), pursuant to which the Company Parties agreed to issue to the Counterparty on October 24, 2016, in accordance with the terms and conditions of the Counterparty SPA and the October Counterparty Letter Agreement, a portion of the 2017 Convertible Note (the “Accelerated Convertible Note”) in the initial principal amount of \$10.0 million plus a \$0.6 million financing

fee (the “Financing Fee”), for an aggregate initial principal amount of \$10.6 million. In consideration for issuing the Accelerated Convertible Note, the Counterparty paid to the Company \$10.0 million on October 24, 2016.

On December 20, 2016, the Company issued the remaining portion of the 2017 Convertible Note in the aggregate principal amount of \$5.0 million (the “December 2016 Convertible Note”) and the Counterparty paid to the Company \$5.0 million in exchange therefor. The terms of the December 2016 Convertible Note are substantially the same as those of the February 2016 Convertible Note and the Accelerated Convertible Note.

In connection with the issuance of the December 2016 Convertible Note, the Lender (as defined below) consented to the issuance of the December 2016 Convertible Note and the Company agreed to obtain the Lender’s written consent prior to closing on a transaction to sell Company securities to a third party other than the Counterparty or any employee of the Company or Unilife Medical Solutions during the four-month period commencing January 1, 2017 and ending April 30, 2017.

The 2018 Convertible Note will continue to be issuable in January 2018 by the Company Parties to the Counterparty in accordance with the terms and conditions of the Counterparty SPA. There can be no assurance as to when or if the Counterparty will purchase all or any part of the 2018 Convertible Note .

As previously announced, the Company has focused the business primarily on active and new customer programs in its portfolio of wearable injector systems. In connection with this new focus, the Company has been evaluating the prospects of its non-wearable injector customer programs and attempting to negotiate terminations of certain non-wearable injector customer contracts. The Company has separate contracts with one customer for its prefilled syringes and wearable injectors. In connection with the prefilled syringe contract with such customer, the Company previously received \$10.0 million which may be refundable to the customer, including for termination for certain events and is therefore recorded in long-term deferred revenue. Although this \$10.0 million is not yet refundable, the Company and the customer are amicably negotiating the potential termination of the contract and the potential repayment to the customer of all or a portion of the \$10.0 million potentially through a long-term financial instrument. The outcome of these negotiations is still uncertain.

The Company’s ability to raise capital is limited and there can be no assurance that financing will be available when needed. The Company will not be able to obtain financing through offerings of its securities registered under the Securities Act of 1933, as amended (the “Securities Act”), until the Company can prepare, file with the SEC, and cause to become effective a registration statement on Form S-1. We are not currently eligible to register the offer and sale of our securities using a registration statement on Form S-3, cannot use our existing Form S-3 and will not become eligible to use Form S-3 until we have timely filed certain periodic reports required under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) for 12 consecutive calendar months.

The Company believes its existing cash at December 31, 2016 will provide the Company with sufficient liquidity to fund the Company’s operations into March 2017 without falling below its minimum cash balance requirement under the Company’s debt facilities of \$5.1 million. The Company believes that any potential proceeds from fundraising efforts, the potential issuance of the 2018 Convertible Note, potential customer cash receipts, and potential proceeds from business development discussions will provide the Company with enough liquidity to fund its operations for the next twelve months. However, there can be no assurance that any cash from fundraising efforts, if successful, the potential issuance of the 2018 Convertible Note, potential customer cash receipts, and potential proceeds from business development discussions will be available when needed, as such sources of liquidity largely are beyond the Company’s control. If we are unable to obtain financing when needed, we may be in default under one or more of our debt obligations unless we are able to obtain waivers from our lenders. A breach of any of the covenants related to our 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, we would be unable to pay the obligations as we do not have existing facilities or sufficient cash on hand to satisfy these obligations. Under the circumstances, we also would be unable to pay our other obligations as they come due, which could prompt our creditors to pursue other remedies. These factors continue to raise substantial doubt about our 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.

4. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Company's 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, derivative liability valuation, warrant liability valuation, preferred stock conversion liability (the "Preferred Stock Conversion") valuation, share-based compensation expense, restructuring obligations, contingencies, recoverability of goodwill, long-lived assets and useful lives of property, plant and equipment. 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.

Property, Plant and Equipment

Property, plant and equipment, including significant improvements, are recorded at cost, net of accumulated depreciation and amortization. Repairs and maintenance are expensed as incurred.

Depreciation and amortization expense is recorded on a straight-line method over the estimated useful life of the asset as listed below:

Asset Category	Useful Lives
Building	40 years
Machinery and equipment	2 to 15 years
Computer software	3 to 7 years
Furniture and fixtures	3 to 7 years
Leasehold improvements	Shorter of leasehold improvement life or remaining term of lease

Interest cost incurred in connection with the development and construction of significant new machinery and equipment, as well as facility related costs have been capitalized as one of the elements of cost and are being amortized over the asset's respective useful life.

The Company evaluates the recoverability of the recorded value of long-lived assets periodically to determine if facts and circumstances exist that would indicate that the assets might be impaired or that the useful lives should be modified. As part of this valuation, the Company develops projections of undiscounted future cash flows of the asset or asset group. The projections of undiscounted cash flows include a combination of revenue from customization and development activities, capital expenses that may be necessary to support projected product sales and commercial product sales. As customization and development activities are completed, commercial product sales are expected to scale-up. Expectations of future commercial product sales included in the projections used for the impairment analysis are based on customer-specific information as well as market estimates relating to the anticipated drugs and therapies being targeted for use with the Company's products. These projections also include assumptions of future sales growth and profitability based on contracts entered into with customers as well as future contracts to be entered into based on the current discussions and negotiations with existing and prospective customers.

Sales projections are based on assumptions including a transition in the market toward patient self-administration of injectable therapies as well as transitions in the market toward biological-based drugs in the pharmaceutical industry development pipeline. The Company's future sales could also be impacted by factors such as its ability to obtain new and retain existing customers, the timing and extent of the customers' drug development activities as well as the regulatory approval process, drug efficacy and industry acceptance of injectable therapies. If the Company's future sales or its projections of future sales are impacted by any one or more of the preceding factors, it will reassess the recorded value of the long-lived assets. If impairment is indicated, an adjustment will be made to reduce the carrying amount of these assets to their fair value.

In connection with the Company's focus on wearable injector products, the Company evaluated the prospects of its non-wearable injector customer and supplier programs in fiscal year 2016. As a result of negotiations related to those supplier and customer programs and the Company's evaluation of those programs and potential disposition of certain assets, the Company determined that certain of its long lived-assets were impaired and the Company incurred a \$26.6 million non-cash asset impairment charge primarily related to machinery and equipment and construction in process in the third quarter of fiscal 2016.

There were no asset impairment charges for the three and six months ended December 31, 2016 and 2015.

Goodwill and Intangible Assets

Goodwill is the excess of purchase price over the fair value of net assets acquired in business acquisitions. Goodwill is subject to, at a minimum, an annual impairment assessment of its carrying value at the reporting unit level. Additional impairment

assessments would be performed if events and circumstances warranted such additional assessments during the year. The Company has one reporting unit which includes its product lines, the base technology which it obtained as part of its November 2002 acquisition of Unित्रact Syri nge Pty Limited, and the manufacturing capability which it obtained in its January 2007 acquisition of Integrated BioSciences, Inc.

As required under GAAP, the Company is required to evaluate goodwill for impairment at least annually and more frequently if certain trigger events occur. The Company determined that the continuing losses incurred by the Company and its negative equity, and the decline in the Company's stock price constituted trigger events that occurred in the six months ended December 31, 2016 requiring an evaluation of the carrying value of the Company's goodwill. Potential impairment of goodwill is identified by comparing the fair value with its carrying value.

The Company performed a goodwill valuation during the interim period as of September 30, 2016 using a combination of the market approach and a discounted cash flow method under the income approach. The Company determined an overall business enterprise value (determined by the fair of equity plus the fair value of debt) by taking a weighted average from the results of the discounted cash flow under the income approach (40%) and the market approach based on the Company's market capitalization (60%). Under the income approach, the Company calculates the fair value of its reporting unit based on the present value of estimated future cash flows. Management judgment is necessary to evaluate the impact of operating and external market changes and to estimate the future cash flows used to measure fair value. The Company's estimate of cash flows considers past performance, current and anticipated market conditions, and internal projections and operating plans which incorporate estimates for sales growth, profitability and capital spending. Additional assumptions include forecasted growth rates and estimated discount rates which are risk adjusted for current market conditions. The Company believes such assumptions reflect current and anticipated market conditions and are consistent with those that would be used by other marketplace participants for similar purposes but are subject to change due to changing conditions. The weighting of the results of each method to assess the overall business enterprise value was considered reasonable as greater weight was given to the market capitalization based on the quoted stock price as this is considered more reliable information as it is publicly available and not subject to management judgment or estimate, whereas, discounted cash flow under the income approach is subject to management estimates and judgments.

Although based on the results of the business enterprise value calculation there was no indication of impairment of goodwill, the Company determined as a result of the continuing losses incurred by the Company and its negative equity, and other indicators of impairment and the decline in the Company's stock price, that an additional step 2 analysis was warranted under generally accepted accounting principles.

The Company performed a Step 2 valuation of goodwill by valuing certain intangible assets (primarily patents, trademarks and tradenames). The Company considered the impact of all assets and liabilities in allocating the fair value of the Company to determine the fair value of goodwill and whether any impairment is indicated. The Company believes these intangible assets would generate the most significant difference between implied fair value and book value as part of completing a Step 2 purchase price allocation for the purpose of determining the value of goodwill for impairment. The valuation of intangible assets was performed using the relief from royalty method under the income approach. This method utilizes the Company's revenue projections and assigns values based on determination of appropriate royalty rates considering relevant industry information. The Company then utilized the fair value of its intangible assets along with the estimated fair value of its other assets and liabilities to determine the implied goodwill compared to the carrying value of goodwill. The residual fair value based on the results of the Step 2 valuation indicated there was no impairment of goodwill.

The Company performed a qualitative review through December 31, 2016 and no events occurred or circumstances changed that would more likely than not reduce the fair value of the goodwill below its carrying value. The Company considered that the results of the valuation of goodwill indicated there was no impairment of goodwill and also indicated significant cushion between the implied fair value of goodwill and its carrying value and, therefore, the Company has concluded that no goodwill impairment existed as of December 31, 2016.

Definite-lived intangible assets include patents which are amortized on a straight-line method over their estimated useful lives of 15 years and are included in other assets. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When factors indicate a possible impairment, if the sum of the estimated undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than the carrying amount of the asset, an impairment may be recognized. Measurement of an impairment loss is based on the excess of the carrying value of the asset over its fair value. Definite-lived intangible assets were less than \$0.1 million as of December 31, 2016 and June 30, 2016 and are recorded in other assets on the consolidated balance sheet. There were no impairments recorded on intangible assets during the three and six months ended December 31, 2016 and 2015.

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. The Company recognizes license revenue over the life of the patents of the products relating to the license. Revenue from industrialization and development fees is recognized as services are rendered, under the completed contract method, under the proportional performance method 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 when 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 terms on these instruments are similar to those terms that the Company would currently be able to receive for similar instruments of comparable maturity.

The Company has elected to measure its royalty agreement 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 agreement 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.

The Company accounts for derivative financial instruments in accordance with ASC 815, Derivative and Hedging — Contracts in Entity's Own Equity. Instruments which do not have fixed settlement provisions are deemed to be derivative instruments and are valued based on an average of a Monte Carlo and lattice model. The Preferred Stock Conversion valuation analysis used the estimated dividend rate based on the volume-weighted average price of the Company's common stock at the date the Preferred Stock Conversion is measured. The warrant liability is valued using a Black-Scholes option-pricing model.

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.

New Accounting Pronouncements Effective During the Period

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 and interim periods within those annual periods beginning after December 15, 2015. The guidance became effective July 1, 2016 and the Company elected to apply the guidance prospectively for all awards granted or modified after the effective date. The adoption of the new guidance did not have a material impact on the Company's financial condition, results of operations or cash flows.

New Accounting Pronouncements Not Yet Adopted

In May 2014, FASB issued ASU 2014-09 "Revenue from Contracts with Customers" and amended by ASU 2016-08 "Principle versus Agent Considerations", ASU 2016-10 "Identifying Performance Obligations and Licensing", and ASU 2016-12 "Narrow-Scope Improvements and Practical Expedients". 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 reviewed the new standards and has begun to consider the impact of the standard on its ongoing financial reporting, but has not yet made any conclusions.

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 November 2015, the FASB issued new guidance simplifying the balance sheet classification of deferred taxes. The new guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the new guidance. The new guidance is effective for the Company on July 1, 2017, with early adoption permitted as of the beginning of an interim or annual reporting period. The new guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company is evaluating the impact that the new guidance will have on its consolidated financial statements and related disclosures; however, at the present time the Company has recorded a valuation allowance against its deferred tax assets based on the history of losses incurred.

In January 2016, the FASB issued new guidance related to the recognition and measurement of financial assets and liabilities. The new guidance makes targeted improvements to GAAP impacting equity investments (other than those accounted for under the equity method or consolidated), financial liabilities accounted for under the fair value election, and presentation and disclosure requirements for financial instruments, among other changes. The new guidance is effective for the Company on July 1, 2018, with early adoption prohibited other than for certain provisions. The Company is evaluating the impact that the new guidance will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued guidance that will change the requirements for accounting for leases. The principal change under the new accounting guidance is that lessees under leases classified as operating leases will recognize a right-of-use asset and a corresponding lease liability. Current lease accounting does not require lessees to recognize assets and liabilities arising under operating leases on the balance sheet. Under the new guidance, lessees (including lessees under leases classified as finance leases and operating leases) will recognize a right-to-use asset and a lease liability on the balance sheet, initially measured as the present value of lease payments under the lease. Expense recognition and cash flow presentation guidance will be based upon whether the lease is classified as an operating lease or a finance lease (the classification criteria for distinguishing between finance leases and operating leases is substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current guidance). The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition approach for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements; the guidance provides certain practical expedients. The Company has reviewed the new standard, has begun to identify its contracts that might be impacted by the standard, and has begun to consider the impact of the standard on its ongoing financial reporting, but has not yet made any conclusions.

In March 2016, the FASB issued new guidance designed to simplify several aspects of the accounting for share-based payment transactions, including guidance relating to accounting for income taxes with respect to share-based payment awards; providing generally that excess tax benefits related to share-based awards should be recorded as a reduction to income tax expense (currently, excess tax benefits generally are recorded to additional-paid-in-capital); providing generally that excess tax benefits related to share-based awards should be classified along with other income tax cash flows as an operating activity (currently, excess tax benefits generally are separated from other income tax cash flows and classified as a financing activity); providing that an entity may make an accounting policy election either to base compensation cost accruals on the number of awards expected to vest (as required by current guidance) or to account for forfeitures when they occur; modifying the current exception to liability classification such that partial cash settlement of an award for tax withholding purposes would not result, by itself, in liability classification of the award if the amount withheld does not exceed the maximum statutory tax rate in the employees' applicable jurisdictions (currently, an award cannot qualify for equity classification, rather than liability classification, if the amount withheld exceeds the minimum statutory withholding requirements); and providing that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity on the statement of cash flows (currently there is no authoritative guidance addressing this classification issue). The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted (if early adoption occurs in an interim period, any adjustments will be reflected as of the beginning of the fiscal year that includes the interim period). Depending on the particular issue addressed by the guidance, application of the guidance will be made prospectively, retrospectively or subject to a retrospective transition method. The Company is currently evaluating the potential impact of adopting this guidance on the Company's results of operations, cash flows and financial position.

In August 2016, the FASB issued ASU No. 2016-15 "Statement of Cash Flows, Clarification of Certain Cash Receipts and Cash Payments", which provides guidance on the presentation and classification of eight specific cash flow issues. Those issues are cash payment for debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instrument or other debt instrument with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; cash received from settlement of corporate-owned life insurance policies; distribution received from equity method investees; beneficial interest in securitization transactions; and classification of cash receipts and payments that have aspect of more than one class of cash flows. The guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017 with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash”. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company is currently evaluating the impact this guidance will have on its financial disclosures; however, as the guidance only impacts disclosure and cash flows, the adoption of this guidance is not expected to have any impact on the Company’s financial condition, and results of operations.

In January 2017, the FASB issued ASU No. 2017-04 “Simplifying the Test for Goodwill Impairment”. The amendments in this Update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. For public entities, the amendments in this Update are effective on a prospective basis for annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Upon adoption, the Company will be required to disclose the nature of and reason for the change in accounting principle upon transition and that disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments. The Company is currently evaluating the impact of these amendments; however, the adoption of this guidance is not expected to have any impact on the Company’s financial condition, results of operations and cash flows.

5. 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 \$1.2 million and \$3.4 million during the three months ended December 31, 2016 and 2015, respectively, and \$2.2 million and \$7.0 million during the six months ended December 31, 2016 and 2015, respectively.

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. The Company issued 380,011 shares for net proceeds of \$4.6 million under the New Sales Agreement during the six months ended December 31, 2015. The Company used the proceeds for working capital needs and other general corporate purposes. The Company did not utilize this facility during the six months ended December 31, 2016.

On July 29, 2015, the Company entered into an equity purchase agreement (the “LPC 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 LPC Purchase Agreement. The Company issued 324,465 shares of common stock to LPC and received net proceeds of \$4.8 million under the LPC Purchase Agreement during the six months ended December 31, 2015. The Company used the proceeds for working capital needs and other general corporate purposes. The Company did not utilize this facility during the six months ended December 31, 2016.

We are not currently eligible to register the offer and sale of our securities using a registration statement on Form S-3, cannot use our existing Form S-3 and will not become eligible to use Form S-3 until we have timely filed certain periodic reports required under the Exchange Act for 12 consecutive calendar months. As a result, the Company will not be able to obtain financing under the New Sales Agreement or LPC Purchase Agreement at least until the Company is eligible to register the offer and sale of our securities using a registration statement on Form S-3.

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. 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 December 2016, the Company amended its Amended and Restated 2009 Stock Incentive Plan or “Amended Stock Plan” to increase the number of shares of common stock available for issuance under the Amended Stock Plan by approximately 2.4 million shares. In January 2017, the Company granted 1,100,000 stock options and 791,173 restricted stock units at fair market value to its employees.

Under the terms of the LPC Purchase Agreement, the Company was required to obtain the consent of LPC prior to completing the Preferred Stock Purchase Agreement. The Company obtained such consent on November 9, 2015 and contemporaneously issued a five-year warrant to purchase 90,000 shares of common stock to LPC at an exercise price of \$10.00 per share. The Company performed a Black-Scholes valuation on the warrant and valued the warrant at \$5.40 per share of common stock. Accordingly, the Company recorded \$0.5 million during the three months ended December 31, 2015 associated with the issuance of the warrant as a component of redeemable convertible preferred stock issuance cost. LPC has not exercised any warrants as of December 31, 2016. On December 31, 2016, the Company performed a Black-Scholes valuation on the warrant liability to revalue the warrant and valued the warrant at \$0.79 per share of common stock. The warrant liability was revalued to \$0.1 million at December 31, 2016.

On February 22, 2016, in connection with entering into the Eighth Amendment to the Credit Agreement (as defined below) and the Sixth Amendment to the Royalty Agreement (as defined below), the Company issued to ROS (as defined below) warrants to purchase 1,673,981 shares of common stock, with an exercise price of \$12.50 per share, subject to adjustment for certain events, which may be exercised at any time and from time to time until February 22, 2026. ROS has not exercised any warrants as of December 31, 2016. Upon issuance, the Company performed a Black-Scholes valuation on the warrant and valued the warrant at \$7.20 per share of common stock. Accordingly, the Company recorded a \$12.1 million warrant liability during the three months ended March 31, 2016 associated with the issuance of the warrant. On December 31, 2016, the Company performed a Black-Scholes valuation on the warrant liability to revalue the warrant and valued the warrant at \$1.24 per share of common stock. The warrant liability was revalued to \$2.1 million at December 31, 2016.

The following is a summary of activity related to stock options held by employees and directors during the six months ended December 31, 2016:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding as of July 1, 2016	102,552	\$ 40.10		
Cancelled	(8,686)	49.25		
Outstanding as of December 31, 2016	<u>93,866</u>	<u>39.25</u>	<u>5.5</u>	<u>\$ 0</u>
Exercisable as of December 31, 2016	<u>78,366</u>	<u>\$ 39.79</u>	<u>5.3</u>	<u>\$ 0</u>

The following is a summary of activity related to stock options and warrants held by persons other than employees and directors during the six months ended December 31, 2016:

	Number of Options & Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of July 1, 2016	1,793,981	\$ 12.68		
Granted	—	—		
Expired	—	—		
Outstanding as of December 31, 2016	1,793,981	\$ 12.68	8.8	\$ —
Exercisable as of December 31, 2016	1,793,981	\$ 12.68	8.8	\$ —

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 six months ended December 31, 2016 and 2015, respectively.

There were no options granted during the three and six months ended December 31, 2016 and 2015, respectively.

Restricted Stock Awards and Units

The Company has granted shares of restricted stock to certain employees, directors and consultants under the Amended and Restated 2009 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 awards of restricted stock and restricted stock units during the six months ended December 31, 2016:

	Number of Restricted Stock Awards and Units	Weighted Average Grant Date Fair Value
Unvested as of July 1, 2016	882,948	\$ 15.41
Granted	313	2.78
Vested	(103,087)	29.33
Cancelled	(94,159)	7.33
Unvested as of December 31, 2016	686,015	\$ 14.42

Preferred Stock Purchase Agreement

On November 9, 2015, the Company entered into and closed a Preferred Stock Purchase Agreement (the "Preferred Stock Purchase Agreement") with a fund (the "Fund"). Pursuant to the Preferred Stock 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. Prior to the full conversion of the Series A Preferred stock (as more fully discussed below), the Series A Preferred Stock was convertible into shares of common stock at a fixed conversion price of \$10.00 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 SEC on October 3, 2014.

From the date of issuance, each share of Series A Preferred Stock accrued 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 Board. Dividends were paid either in cash or in shares of common stock at the Company’s sole discretion and were valued at (i) if there was 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 \$0.50 per share of common stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less \$0.50 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 \$1.00 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 \$1.00 per share of common stock. “Trigger Event” is defined as including, among other events, our 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 Exchange Act 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 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 was adjusted (i) downward by an amount equal to 100 basis points for each amount, if any, equal to \$0.50 per share of common stock that the volume weighted average price of our common stock on any trading day rose above \$15.00, 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 \$0.50 per share of common stock that volume weighted average price of our common stock on any trading day fell below \$7.00, up to a maximum of 15.0%. In addition, the Dividend Rate was adjusted upward by 10.0% upon any Trigger Event.

Each share of Series A Preferred Stock was convertible into such number of shares of common stock equal to the Face Value divided by the Conversion Price. Upon any conversion, the Company issued common stock at the Conversion Price and paid the dividend and conversion premium (“Dividend”) (in one instance in cash and the remaining instances in stock at the Company’s discretion). The Company was prohibited from issuing shares of common stock upon conversion of the Series A Preferred 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 the Company’s 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 Preferred Stock Purchase Agreement also contains representations, warranties and covenants customary for transactions of this type.

In November 2015 and December 2015, the Fund delivered to the Company notices of conversion totaling an aggregate of 300 shares of Series A Preferred Stock (the “Initial Conversion Notices”) and the Company issued an aggregate of 1,025,499 shares of common stock and paid \$0.3 million in cash to satisfy the Initial Conversion Notices. Calculations in the Initial Conversion Notices were based upon the occurrence of a Trigger Event.

As described above, the amount of any Dividend varied based on the Company’s share price during the applicable Measurement Period. If the Company’s share price declined during the Measurement Period with respect to a conversion notice, the number of shares owed to the Fund pursuant to such conversion notice would have changed and the Company was then required to issue the additional shares owed. During December 2015, the Company issued an additional 518,784 shares of common stock as additional Dividend with respect to the Conversion Notices as a result of a decline in the share price during the applicable Measurement Periods.

On January 4, 2016, the Fund delivered to the Company a notice of conversion for 40 shares of Series A Preferred Stock (the “January 4th Conversion Notice”) and together with the Initial Conversion Notices, the “Conversion Notices”) and the Company issued the Fund 246,036 shares of common stock. During January 2016, the Company issued an additional 162,706 shares of common stock as additional Dividend with respect to the Conversion Notices as a result of a decline in the share price during the applicable Measurement Periods.

On February 3, 2016, Company entered into the First Amendment to the Preferred Stock Purchase Agreement with the Fund. Pursuant to the First Amendment to the Preferred Stock Purchase Agreement, the Company acknowledged that the Fund had at all times fully and completely complied with all of its obligations under the Preferred Stock Purchase Agreement. The Fund has converted all of the Preferred Shares, and the parties entered into the First Amendment to the Preferred Stock Purchase Agreement to resolve the final and total of number shares of common stock to be delivered by the Company to the Fund as a result of the conversion.

Pursuant to the First Amendment to the Purchase Agreement, in full accord and satisfaction of all obligations under the Purchase Agreement and the remaining transaction documents (as defined in the Preferred Stock Purchase Agreement), the Company agreed to issue to the Fund an additional 831,668 shares (collectively, the “Shares”) of common stock, the approximate amount that may be issued under Nasdaq Listing Rule 5635(d) without shareholder approval which the Company did not obtain. On February 3, 2016, the Company issued and delivered to the Fund 725,000 of the Shares. On February 11, 2016, the Company issued and delivered to the Fund the remaining 106,668 Shares.

Pursuant to the First Amendment to the Purchase Agreement, the Company has no further obligations to the Fund with respect to any of the Series A Preferred Stock, Conversion Notices (as defined in the Company's Certificate of Designations of Preferences, Rights and Limitations of Series A Preferred Stock) or any of the transaction documents. The Company issued 2,784,693 shares of common stock to the Fund in connection with the Preferred Stock Purchase Agreement, as amended by the First Amendment to the Preferred Stock Purchase Agreement. The Fund is no longer the holder of any Series A Preferred Stock.

The First Amendment to the Preferred Stock Purchase Agreement contained a mutual release of claims between the Company and the Fund and contained customary representations and warranties made by such parties. The Company also agreed to provide the Fund with indemnification for breaches of the First Amendment to the Preferred Stock Purchase Agreement and for certain third-party claims, and the Fund agreed to continue the same activity restrictions provided for in the Preferred Stock Purchase Agreement.

The Company accounted for the Series A Preferred Stock and the related Dividend as two separate units, i.e. Series A Preferred Stock and Preferred Stock Conversion. The Company determined that the Series A Preferred Stock should be classified as temporary equity based on the requirement to provide registered shares of the Company's common stock upon conversion and the related Dividend should be classified as a liability at fair value. Accordingly, the proceeds recorded as temporary equity for the Series A Preferred Stock represented the proceeds from the issuance less initial fair value of Preferred Stock Conversion and related issuance costs. As a result, on November 9, 2015, the Company recorded the net proceeds of \$7.2 million between the Series A Preferred Stock (\$2.8 million) and the initial Preferred Stock Conversion at its fair value (\$4.4 million). After accounting for all Conversion Notices and First Amendment to the Preferred Stock Purchase Agreement, the Redeemable Convertible Preferred Stock, Series A, was reclassified from temporary equity to permanent equity and was valued at \$0.0 million at March 31, 2016 and no further accounting was needed. The Preferred Stock Conversion was remeasured quarterly, and at March 31, 2016, the Preferred Stock Conversion was valued at \$0.0 and no further accounting was needed.

6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31, 2016	June 30, 2016
	(in thousands)	
Building	\$ 32,362	\$ 32,362
Machinery and equipment	20,090	19,537
Computer software	2,986	2,986
Furniture and fixtures	792	1,386
Construction in progress	13,385	13,870
Land	2,036	2,036
Leasehold improvements	349	437
	<u>72,000</u>	<u>72,614</u>
Less: accumulated depreciation and amortization	(19,691)	(17,841)
Property, plant and equipment, net	<u>\$ 52,309</u>	<u>\$ 54,773</u>

Under *ASC 360 Property, Plant, and Equipment*, the Company is required to evaluate the recoverability of the carrying amount of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In February 2016, the Company completed its review of strategic alternatives and announced the formation of a strategic collaboration centered upon the use of the Company's portfolio of prefilled, customizable wearable injectors. In connection with this focus, the Company has been evaluating the prospects of its non-wearable injector customer and supplier programs. As a result of negotiations related to those supplier and customer programs and the Company's evaluation of those programs and potential disposition of certain assets, the Company determined that certain of its long lived-assets were impaired during the third quarter of fiscal year 2016 and an impairment charge was recorded during that period. There were no impairment charges incurred for the three and six months ended December 31, 2016 and 2015.

Construction in progress as of December 31, 2016 consisted of amounts incurred in connection with machinery and equipment and facility related costs, including capitalized interest. Interest capitalized during the three and six months ended December 31, 2016 and 2015 was \$0.0 million and \$0.7 million; and \$0.0 million and \$1.4 million respectively.

Depreciation on property, plant and equipment during the three and six months ended December 31, 2016 and 2015 was \$1.0 million and \$2.7 million; and \$1.4 million and \$3.0 million, respectively.

In December 2016, the Company announced that it had listed its York, Pennsylvania facility for sale due to unused capacity as a result of the Company's focusing on its wearable injector products. Under *ASC 360 Property, Plant, and Equipment*, the York facility does not yet meet the criteria to be held for sale which would require classification to current assets and be recorded at its fair value less costs to sell. The Company reviewed the facility for impairment and determined that it is not impaired. Therefore, it continues to be recorded as an asset held for use.

7. Goodwill

The changes in the carrying amount of goodwill during the six months ended December 31, 2016 are as follows:

	<u>(in thousands)</u>
Balance as of July 1, 2016	\$ 9,423
Foreign currency translation	(287)
Balance as of December 31, 2016	<u>\$ 9,136</u>

8. Accrued Expenses

Accrued expenses consist of the following:

	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
	<u>(In thousands)</u>	
Accrued payroll and other employee related expenses	\$ 3,109	\$ 2,755
Accrued cost related to equipment	1,320	2,623
Accrued transaction costs	4,000	5,000
Accrued professional fees	964	2,010
Accrued other	6,501	1,322
Total accrued expenses	<u>\$ 15,894</u>	<u>\$ 13,710</u>

Accrued transaction costs relate to the Company's review of strategic alternatives incurred in fiscal 2016. Accrued other includes the \$5.0 million liability related to the settlement of the two putative class actions and the derivative complaints. See note 11 "Contingencies" for additional discussion related to these matters.

9. Long-Term Debt

Long-term debt consists of the following:

	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
	<u>(In thousands)</u>	
10.25% Term loan, due March 2020	\$ 64,303	\$ 57,227
Royalty agreement liability	5,464	5,120
6.00% Senior secured convertible note, due February 2023	43,428	29,066
6.00% Mortgage loan, due December 2031	12,139	12,370
5.00% Commonwealth of Pennsylvania financing authority loan, due January 2021	1,948	1,977
	<u>127,282</u>	<u>105,760</u>
Less: unamortized debt discounts and issuance costs	(1,177)	(646)
	<u>126,105</u>	<u>105,114</u>
Less: current portion of long-term debt	(702)	(669)
Total long-term debt	<u>\$ 125,403</u>	<u>\$ 104,445</u>

Term Loan

On March 12, 2014, Unilife Medical Solutions entered into a Credit Agreement with ROS Acquisition Offshore LP (the "Lender"), an affiliate of OrbiMed Advisors ("OrbiMed") (the "Credit Agreement," and, as amended the "Amended Credit Agreement" or the "OrbiMed Financing"). Pursuant to and subject to the terms of the Amended Credit Agreement, the Company has

fully utilized the capacity and borrowed principal amounts totaling \$70.0 million (the “Loans”). Under the Amended Credit Agreement, Unilife Medical Solutions is required to maintain a minimum cash balance of \$3.0 million and comply with certain other customary covenants.

The Loans bear interest at 9.25% per annum plus the greater of three-month LIBOR or 1.0%. Lender agreed to defer all obligations of Unilife Medical Solutions to pay interest to the Lender for the period from January 1, 2016 through February 22, 2018 at the rate specified in the Amended Credit Agreement, which interest will be added to the outstanding principal amount of the Loans on the last day of each interest period. 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 are interest-only until March 12, 2020.

Unless the loan facility is otherwise terminated earlier pursuant to the terms of the Amended Credit Agreement, Unilife Medical Solutions 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 March 12, 2020. Unilife Medical Solutions can make voluntary repayments at any time of any unpaid principal amount of the Loans, plus a 10.0% repayment premium. Unilife Medical Solutions must make mandatory prepayments in certain prescribed circumstances, including, without limitation, certain dispositions of assets and certain casualty events. In such events, Unilife Medical Solutions must prepay to Lender 100% of the net cash proceeds received.

The obligations of Unilife Medical Solutions 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 Unilife Medical Solutions, the Company, Unilife Cross Farm LLC (“Cross Farm”), Unilife Medical Solutions Limited (“UMSL”) 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 Unilife Medical Solutions, the Company, Cross Farm, UMSL, 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, UMSL, and the Company in favor of the Lender, for itself and as agent of ROS.

In connection with entering into the Eighth Amendment to the Amended Credit Agreement and the Sixth Amendment to the Royalty Agreement on February 22, 2016, the Company issued to ROS a warrant to purchase 1,673,981 shares of common stock, with an exercise price of \$12.50 per share, subject to adjustment for certain events, which may be exercised at any time and from time to time until February 22, 2026. In respect to the consideration provided to ROS in the form of the warrant and the terms of the Eighth Amendment to the Credit Agreement and the Sixth Amendment to the Royalty Agreement, the Company evaluated whether the debt was modified or extinguished pursuant to ASC 470-50, Debt – Modifications and Extinguishments. The Company determined that the previous debt was extinguished and recorded the modified debt at fair value (\$51.3 million). The Company recorded a gain on debt extinguishment for the quarter ended March 31, 2016 of \$2.9 million which consisted of the remeasurement of the debt at fair value offset by the value of the warrant as of the Counterparty Effective Date and the deferred financing costs previously associated with the term loan. The debt will be accreted to face value over the loan term based on the effective interest rate. In connection with the entering into of the October Counterparty Letter Agreement, on October 24, 2016, the Company Parties and certain of the Company’s other subsidiaries entered into the Ninth Amendment (the “Ninth Amendment to the Credit Agreement”) to the Amended Credit Agreement with the Lender. Pursuant to the Ninth Amendment to the Credit Agreement, the Lender agreed to waive (i) compliance with Section 8.9 of the Amended Credit Agreement solely to permit the entering into of the October Counterparty Letter Agreement, and (ii) any event of default that would occur under Section 9.1(c) of the Amended Credit Agreement solely with respect to the October Counterparty Letter Agreement. In addition, the Ninth Amendment to the Credit Agreement amended the Amended Credit Agreement to provide for the issuance of the Accelerated Convertible Note and the execution of the October Counterparty Letter Agreement.

In connection with the issuance of the December 2016 Convertible Note, on December 20, 2016, the Company Parties and certain of the Company’s other subsidiaries entered into the Tenth Amendment (the “Tenth Amendment to the Credit Agreement”) to the Amended Credit Agreement with the Lender. Pursuant to the Tenth Amendment to the Credit Agreement, the Lender consented to the issuance of the December 2016 Convertible Note and the Company agreed to obtain the Lender’s written consent prior to closing on a transaction to sell Company securities to a third party other than the Counterparty or any employee of the Company or Unilife Medical Solutions during the four-month period commencing January 1, 2017 and ending April 30, 2017.

There are cross-default provisions in the Amended Credit Agreement, First National Bank loan (as described below), Keystone/CFA Loan (as described below), and the Outstanding Counterparty Notes (as described below), so that a default under one agreement could trigger a default under the others. First National Bank, the Lender under the Amended Credit Agreement, Keystone Redevelopment Group, LLC and Commonwealth Financing Authority are parties to an intercreditor agreement. The Counterparty and the Lender are also parties to an intercreditor agreement.

Royalty Agreement

In connection with entering into the Credit Agreement, Unilife Medical Solutions entered into a Royalty Agreement with ROS (the “Royalty Agreement”) and, as amended the “Amended Royalty Agreement”, which entitles ROS to receive royalty payments.

Unilife Medical Solutions 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. Unilife Medical Solutions has the right to buy out the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. As of December 31, 2016, the buy-out amount was approximately \$27.7 million, on March 13, 2017, the buy-out amount increases to approximately \$33.5 million, and on March 13, 2018, the buy-out amount increases up to a maximum of approximately \$37.2 million. The buy-out amount varies based on when the buy-out option is exercised and would, in each case, be reduced by amounts previously paid by Unilife Medical Solutions 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 March 12, 2014 and ending on the earlier of (i) March 12, 2024 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 Unilife Medical Solutions. 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.

On February 22, 2016, Unilife Medical Solutions entered into the Sixth Amendment to the Royalty Agreement with ROS. Pursuant to and subject to the terms of the Sixth Amendment to the Royalty Agreement, ROS agreed to waive any rights to royalty payments otherwise payable as a result of the License Fee and the proceeds of the Notes, and to defer royalty payments payable on revenues received by the Unilife Medical Solutions from the Counterparty until after the end of the first fiscal quarter in which the Unilife Medical Solutions sells a commercial quantity of devices developed for the Counterparty.

At inception, the royalty liability was determined to have a fair value of \$7.0 million. The royalty liability will be adjusted to fair value on a quarterly basis. As of December 31, 2016, the fair value of the royalty liability was \$5.5 million.

Senior Secured Convertible Notes

On February 22, 2016, the Company and Unilife Medical Solutions entered into a Securities Purchase Agreement (the “Counterparty SPA”) with Amgen Inc. (the “Counterparty”), pursuant to which Counterparty agreed to purchase from the Company a new series of 6% Senior Secured Convertible Notes Due 2023 in the aggregate original principal amount of up to \$55.0 million (the “Notes”). The Notes originally were to be issued in up to three separate closings. The Company issued to the Counterparty the first Note in the aggregate original principal amount of \$30.0 million on February 22, 2016 (the “February 2016 Convertible Note”) and Counterparty paid to the Company \$30.0 million in exchange therefor. Pursuant to the Counterparty SPA, the Counterparty originally was entitled to purchase two additional Notes in January 2017 (the “2017 Convertible Note”) and January 2018 (the “2018 Convertible Note”) in the amounts of \$15.0 million and \$10.0 million, respectively.

On October 24, 2016, the Company Parties and the Counterparty entered into the October Counterparty Letter Agreement, pursuant to which the Company Parties agreed to issue to the Counterparty on October 24, 2016, in accordance with the terms and conditions of the Counterparty SPA and the October Counterparty Letter Agreement, a portion of the 2017 Convertible Note (the “Accelerated Convertible Note”) in the initial principal amount of \$10.0 million plus the \$0.6 million financing fee (the “Financing Fee”), for an aggregate initial principal amount of \$10.6 million. In consideration for issuing the Accelerated Convertible Note, the Counterparty paid to the Company \$10.0 million on October 24, 2016.

On December 20, 2016, the Company issued the remaining portion of the 2017 Convertible Note in the aggregate principal amount of \$5.0 million (the “December 2016 Convertible Note”) and the Counterparty paid to the Company \$5.0 million in exchange therefor. The terms of the December 2016 Convertible Note are substantially the same as those of the February 2016 Convertible Note and the Accelerated Convertible Note.

The 2018 Convertible Note will continue to be issuable in January 2018 by the Company Parties to the Counterparty in accordance with the terms and conditions of the Counterparty SPA. There can be no assurance as to when or if the Counterparty will purchase all or any part of the 2018 Convertible Note.

Interest under each of the February 2016 Convertible Note, the Accelerated Convertible Note, and the December 2016 Convertible Note (together, the “Outstanding Counterparty Notes”) accrues at a rate of 6% per year and will be paid quarterly in arrears through the addition of the amount of such interest to the then outstanding principal amount. All or part of the principal and

accrued interest on each of the Outstanding Counterparty Notes will be repaid through (i) discounted pricing on purchases by the Counterparty of the Company's products, (ii) credits taken by the Counterparty against development and customization fees for devices, and (iii) credits against per-unit royalties otherwise payable to the Company for the manufacture and sale of the Company's products. Any repayment will be applied to the Outstanding Counterparty Notes in the order of their issuance. In addition, pursuant to each of the Outstanding Counterparty Notes, the Company has the right to prepay in cash all or part of the principal and accrued interest at any time upon 15 business days' prior notice, subject to the Counterparty's conversion right with respect to the contemplated prepayment amount. The Company is required to pay in cash any amounts of principal and accrued interest outstanding at the maturity date of each of the Outstanding Counterparty Notes, which is February 22, 2023 in both instances .

During the six months ended December 31, 2016, the Company made non-cash repayments totaling \$2.3 million towards the balance of the Outstanding Counterparty Notes. The repayments were for credits relating to development and customization fees. Each of the Outstanding Counterparty Notes is convertible at the Counterparty's election into shares of common stock at any time prior to February 22, 2023, at the Discounted Sale Price, subject to the Conversion Rate Floor Price. The Conversion Rate Floor Price under each of the Outstanding Counterparty Notes is subject to customary adjustments for certain capital events.

The Counterparty may cause the redemption of the Outstanding Counterparty Notes upon any event of default by the Company. Events of default under the Outstanding Counterparty Notes include, among others, a failure by the Company to convert the applicable note upon proper notice by the Counterparty or pay principal and interest on the applicable note when due; an acceleration of any other indebtedness under the Amended Credit Agreement or other indebtedness of the Company in excess of \$1.0 million; a bankruptcy of the Company; a judgment against the Company in excess of \$1.0 million; a representation or warranty made in the Counterparty SPA and the related transaction documents is materially false or misleading when made; a material breach by the Company of a covenant or other term or condition in the Counterparty SPA and the related transaction documents; the Counterparty SPA and the related transaction documents cease to be effective; the termination or amendment of the Eighth Amendment to the Credit Agreement or the Sixth Amendment to the Royalty Agreement; and the incurrence of a lien on collateral that is not a permitted lien. The Company is required to redeem for cash each of the Outstanding Counterparty Notes upon a change of control of the Company in an amount equal to 101% of the aggregate principal and accrued interest outstanding as of the change of control.

Each of the Outstanding Counterparty Notes also provides the Counterparty with certain rights to acquire additional shares of common stock or other securities or assets of the Company, as applicable, in the event: (i) the Company grants, issues or sells any options, convertible securities or rights to purchase stock, warrants, securities or other property pro rata to the holders of common stock; or (ii) the Company makes certain other distributions to Company stockholders such that, in the case of (i) or (ii), the Counterparty receives, in addition to the shares of common stock otherwise issuable upon conversion of the Outstanding Counterparty Notes, the shares of common stock or other securities or assets, as applicable, that the Counterparty would have been entitled to receive if the Counterparty had converted the Outstanding Counterparty Notes into common stock immediately prior to such event.

The Outstanding Counterparty Notes are secured by certain inventory and intellectual property assets related to a specific device being licensed to the Counterparty. The Counterparty has agreed to preserve license rights granted to other customers for any license rights granted prior to a foreclosure. The terms and conditions of the 2018 Counterparty Note, if purchased by the Counterparty, are substantially the same as the terms and conditions of the Outstanding Counterparty Notes, except that the "Conversion Rate Floor Price" of the 2018 Counterparty Note will be the greatest of (x) \$12.50, (y) the closing sale price of the common stock on the trading day preceding the issuance date, and (z) the book value per share of common stock on the trading day immediately preceding the issuance date.

The Company determined that the conversion feature should be accounted for as a stock put option and would be bifurcated from the value of the Outstanding Counterparty Notes and treated as a derivative liability. The initial fair value of the derivative liability of the February 2016 Convertible Note, the Accelerated Convertible Note, and the December 2016 Convertible Note was determined to be \$1.7 million, \$0.1 million, and less than \$0.1 million, respectively. The Outstanding Counterparty Notes will be accreted to their face value over the life of the Note term based on the effective interest rate. The fair value of this derivative liability will be adjusted to fair market value on a recurring basis. As of December 31, 2016, the fair market value of the derivative liability was determined to be \$0.5 million.

On September 29, 2016, the Company and the Counterparty entered into a letter agreement (the “September Counterparty Letter Agreement”). Pursuant to the September Counterparty Letter Agreement, the Counterparty agreed (i) until 11:59 p.m. New York City time on July 1, 2017, to waive any and all rights whatsoever that the Counterparty has or may have under the Counterparty SPA and certain related transaction documents to declare an “Event of Default” under the February 2016 Convertible Note as a result of the Company’s failure to timely file the March 2016 10-Q or the 2016 10-K (together, the “Exchange Act Filings”); and (ii) that the filing by the Company of the Securities Filings with the SEC will cure any breach of Section 6.3 of the Counterparty SPA as a result of the Company’s failure to timely file the Securities Filings with the SEC. As noted above, the Company filed the Exchange Act Filings with the SEC on October 24, 2016.

On July 28, 2016, the Company and the Counterparty entered into two letter agreements. Pursuant to the first letter agreement, the Counterparty agreed to not convert the Notes into shares of the Company’s common stock to the extent that such conversion would cause the Counterparty to beneficially own 10% or more of the outstanding shares of the common stock immediately following such conversion (the “Conversion Limit”). Pursuant to such letter agreement, the Counterparty has the right to terminate the Conversion Limit at any time with 75 days’ prior written notice to the Company. Pursuant to the second letter agreement, the Counterparty agreed (i) to waive, until 11:59 p.m. New York City time on November 7, 2016, any and all rights whatsoever that the Counterparty had to declare an “Event of Default” under the February 2016 Convertible Note as a result of the Company’s failure to timely file the March 2016 10-Q; and (ii) that the Company’s filing of the March 2016 10-Q with the SEC will cure any breach of Section 6.3(i) of the SPA, as a result of the Company’s failure to timely file the March 2016 10-Q with the SEC. As noted above, the Company filed the March 2016 10-Q with the SEC on October 24, 2016.

Under section 6.3 of the Counterparty SPA, the Company is required to, until the date on which the Counterparty has sold all the shares of the Company’s common stock into which the Notes are convertible (the “Conversion Shares”) and none of the Notes are outstanding, (i) timely file all reports required to be filed with the SEC pursuant to the Exchange Act or the rules and regulations thereunder and (ii) not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend the Company’s reporting and filing obligations under the Exchange Act or Securities Act, (iii) take all actions necessary to maintain the Company’s eligibility to register the Conversion Shares for resale by the Counterparty on Form S-3, and (iv) use its commercially reasonable efforts to take all action as may be required as a condition to the availability of Rule 144 under the Securities Act with respect to the Company’s common stock.

Mortgage Loan

In October 2010, Cross Farm entered into the Loan Agreement with First National Bank (formerly known as Metro Bank), pursuant to which First National 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 First National 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 First National Bank 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 First National 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 December 31, 2016. However, there can be no assurance that the Company will be able to maintain the debt service reserve account balance for a period of 12 months from December 31, 2016. 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 First National 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 Keystone Redevelopment Group, LLC (“Keystone”) 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. Keystone assigned the loan and mortgage (the “Keystone/CFA Loan”) to the Commonwealth of Pennsylvania Financing Authority. In connection with the Keystone/CFA Loan, 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 Former CEO

On September 30, 2015, the Company obtained a loan in the amount of \$0.6 million from Alan Shortall, the Company's former Chairman and Chief Executive Officer. During February 2016, the loan was repaid in full including payment of interest to Mr. Shortall at the minimum applicable federal rate, which interest was less than \$0.1 million.

10. Net Loss Per Share

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
	(In thousands, except share and per share data)		(In thousands, except share and per share data)	
Numerator				
Net loss	\$ (15,309)	\$ (25,423)	\$ (33,282)	\$ (51,287)
Deemed dividend on Series A Preferred Stock	—	(1,047)	—	(1,047)
Net loss attributable to common stock holders	<u>\$ (15,309)</u>	<u>\$ (26,470)</u>	<u>\$ (33,282)</u>	<u>\$ (52,334)</u>
Denominator				
Weighted average number of shares used to compute basic net loss per share	16,698,329	13,377,229	16,672,595	12,915,014
Effect of dilutive options to purchase common stock	—	—	—	—
Weighted average number of shares used to compute diluted net loss per share	<u>16,698,329</u>	<u>13,377,229</u>	<u>16,672,595</u>	<u>12,915,014</u>
Basic and diluted net loss per share	<u>\$ (0.92)</u>	<u>\$ (1.98)</u>	<u>\$ (2.00)</u>	<u>\$ (4.05)</u>

Due to the Company's net losses, unvested shares of restricted stock (participating securities) totaling 729,434 and 1,007,211 were excluded from the calculation of basic and diluted net loss per share during the three months ended December 31, 2016 and 2015, respectively; and unvested shares of restricted stock (participating securities) totaling 789,889 and 1,035,368 were excluded from the calculation of basic and diluted net loss per share during the six months ended December 31, 2016 and 2015, respectively.

In addition, stock options and warrants (non-participating securities) totaling 1,887,797 and 333,189 during the three months ended December 31, 2016 and 2015, respectively, were excluded from the calculation of diluted net loss per share, as their effect would have been anti-dilutive; and stock options and warrants (non-participating securities) totaling 1,887,797 and 319,929 during the six months ended December 31, 2016 and 2015, respectively, were excluded from the calculation of diluted net loss per share, as their effect would have been anti-dilutive. All of these stock options were excluded solely due to the Company's net loss position. Had the Company reported net income during the three months ended December 31, 2016 and 2015, these shares would have had an effect of 0 and 0 diluted shares, respectively; and had the Company reported net income during the six months ended December 31, 2016 and 2015, these shares would have had an effect of 0 and 0 diluted shares, respectively, for purposes of calculating diluted net income per share. The impact of the potential conversion of outstanding Convertible Notes of 3,605,069 diluted shares as of December 31, 2016 were also excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive.

11. 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 the Company, 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. Following the discovery process, 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 counter claims the Company had brought against him. Mr. Smith received no payment as part of the resolution and dismissal of his claims against the Company, his attorney received a reduced portion of her fees from the Company's insurer, and the matter is now concluded.

As previously disclosed, subsequent to the filing of an OSHA complaint by Mr. Smith, we received a subpoena from the staff of the SEC (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 and requests for information from the Staff, requesting additional information consistent with the first subpoena. The Staff has also requested information about public statements made by the Company's former Chief Executive Officer. The Company has provided the requested information to the Staff.

On May 8, 2016, the Company announced an investigation into violations of the Company's policies and procedures and possible violations of laws and regulations by the Company's former Chief Executive Officer, Alan Shortall, whose employment with the Company ceased on March 11, 2016, and its former Chairman, Jim Bosnjak, who resigned from the Board on August 24, 2015 (the "Investigation"). The Investigation was completed on October 7, 2016, and the Company has reported to the SEC on the Company's findings from the Investigation, has responded to questions from the Staff regarding the findings, and is cooperating fully with the Staff. To date, the SEC has not indicated whether any fines or penalties will be assessed against the Company in relation to these matters. The Company is unable to predict what action the SEC or other regulatory authority may take, if any, in relation to these matters or the impact, if any, of any such action on the Company's business, operations, cash flows and/or financial condition. If any fines or penalties are assessed against the Company, they may be material.

On September 14, 2015, Unilife Medical Solutions was served with a complaint filed in the Superior Court of the State of Connecticut by Bidel, Inc. ("Bidel") seeking (1) to temporarily enjoin Unilife Medical Solutions from entering into a transaction that would jeopardize the Company's ability to perform its obligations under the Customization and Commercial Supply Agreement effective April 8, 2013 (as amended, the "First Bidel Agreement") between Bidel and Unilife Medical Solutions; and (2) damages under the Connecticut Unfair Trade Practices Act. Bidel alleged that Unilife Medical Solutions had engaged in unfair and deceptive trade practices by purportedly misrepresenting its ability and willingness to satisfy its obligations under the First Bidel Agreement and requesting additional payments from Bidel to satisfy the Company's obligations. Additionally, Bidel filed a demand for arbitration with the American Arbitration Association (AAA) asserting that Unilife Medical Solutions had breached its obligations relating to the timing and scope of its performance under the First Bidel Agreement. The Company filed counterclaims in the arbitration for commercial disparagement and breach of the confidentiality provisions of the agreement.

On September 2, 2016, Bidel, the Company and Unilife Medical Solutions entered into an Asset Purchase and License Agreement (the "Second Bidel Agreement") which provides: (a) for the termination of the First Bidel Agreement; (b) for the grant of an exclusive license for a six-month term to the intellectual property rights related to the Unilife mixing device; (c) a six-month term during which Bidel can exercise an option (the "Option") to purchase certain assets associated with the First Bidel Agreement for \$1.5 million (the "Potential Asset Sale") and extend Bidel's license, for fees based on intellectual prosecution and maintenance costs determined on an annual basis; (d) dismissal, with prejudice, of all active proceedings in connection with the litigation and arbitration proceedings pending between Bidel and Unilife Medical Solutions. Under the Second Bidel Agreement, each party also released the other party of all liability, waived all claims with prejudice, and forever holds the other party harmless from any damages arising out of relating to the First Bidel Agreement. Bidel and Unilife Medical Solutions each paid their respective attorneys' fees and Unilife Medical Solutions paid no monetary amount to Bidel in connection with this resolution. To date, Bidel has not exercised the Option.

On March 24, 2016, Edward Fine filed a complaint against the Company and Unilife Medical Solutions Limited ("UMSL") in the Superior Court of New Jersey. The complaint alleges that the Company and UMSL are in breach of contract and have been unjustly enriched as a result of UMSL's failure to pay certain required payments under a consultancy agreement between Mr. Fine and UMSL. Pursuant to the complaint, Mr. Fine is seeking monetary damages in the amount of \$288,000 in the aggregate. The Company believes that Mr. Fine's claims and demands for relief are wholly without merit and the Company is vigorously defending the action. On August 15, 2016, we filed an Answer, Affirmative Defenses and Counterclaims, wherein we asserted counterclaims against Mr. Fine for fraud, civil conspiracy, unjust enrichment, breach of contract, and breach of the implied covenant of good faith and fair dealing arising out of Mr. Fine's role in certain previously disclosed transactions involving Mr. Fine and Jim Bosnjak, the Company's former Chairman of the Board. On September 23, 2016, Mr. Fine filed an Answer and Affirmative Defenses to the Company's counterclaims. This action is currently in a 450-day discovery period which commenced on July 29, 2016.

On May 26 and 27, 2016, two putative class actions were filed in the United States District Court for the Southern District of New York alleging that in violation of Rule 10b-5 and Section 20(a) of the Exchange Act, the Company and six individual defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company's former CEO and former Chairman of the Board of Directors had violated the Company's policies and procedures and had engaged in violations of law and regulations; (2) that the Company lacked adequate internal controls over accounting and financial reporting; (3) that, as a result, the Company would be unable to file its Quarterly Report on Form 10-Q for the period ended March 31, 2016 by the prescribed filing deadline; and (4) that, as a result of the foregoing, the Company's financial statements, as well as its statements about the Company's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis. The putative class actions were brought on behalf of purchasers of the Company's securities between February 3, 2014 and May 23, 2016. On August 24, 2016, the Court consolidated the two actions, appointed lead plaintiffs and lead counsel, and set a deadline of October 24, 2016 for Plaintiffs to file an amended complaint. The plaintiffs filed an amended complaint on October 24, 2016 expanding the class to purchasers of the Company's securities between November 9, 2011 and July 28, 2016, dropping three of the original individual defendants as named defendants and making additional allegations related to matters the Company disclosed in connection with the Investigation. In accordance with a scheduling order issued by the Court on December 12, 2016, Plaintiffs filed a second amended complaint on December 14, 2016 that, among other things, included allegations relating to the Company's October 24, 2016 and November 14, 2016 SEC filings. In February 2017, the parties reached an agreement-in-principle to fully resolve all claims that were asserted or could have been asserted in the lawsuit. An insurer for the Company has agreed to pay the full amount of the proposed settlement. The proposed settlement is subject to definitive documentation and court approval. If the proposed settlement is not consummated, the Company intends to vigorously contest this lawsuit. The Company has recorded a receivable from its insurance carrier and a liability to the claimants for \$4.4 million, which is included in prepaid and other current assets and accrued expenses on the consolidated balance sheet at December 31, 2016 related to this matter.

On July 11, July 28, and August 1, 2016, respectively, derivative complaints were filed in the Court of Common Pleas in York County, Pennsylvania against 11 current or former directors and/or officers, alleging (i) breach of their fiduciary duties, (ii) unjust enrichment, (iii) abuse of control, (iv) gross mismanagement, and (v) corporate waste. The complaints allege, among other things, that the individual defendants breached the fiduciary duties they owed to the Company by (1) grossly mismanaging the Company and perpetuating a variety of self-serving schemes to benefit themselves and other interested parties and (2) making and/or causing the Company to make false/misleading statements or omissions of fact in its public disclosures. The complaints further allege that as a result of this alleged conduct, the Company will lose and expend millions of dollars. On January 11, 2017, a derivative complaint was filed in the United States District Court for the Southern District of New York against 11 current or former directors and/or officers that makes similar allegations to those asserted in the previously-filed derivative complaints. In February 2017, the parties reached an agreement-in-principle to fully resolve all claims that were asserted or could have been asserted in these lawsuits which includes the Company's agreement to make certain modifications to its corporate governance and also a payment to plaintiffs' attorneys' for their fees, which an insurer for the Company has agreed to pay. The proposed settlement is subject to definitive documentation and court approval. If the proposed settlement is not consummated, the Company intends to vigorously contest these lawsuits. The Company has recorded a receivable from its insurance carrier and a liability to the claimants for \$0.6 million, which is included in prepaid and other current assets and accrued expenses on the consolidated balance sheet at December 31, 2016 related to this matter.

On August 17, 2016, Kahle Automation, S.r.l. ("Kahle") filed a complaint against Unilife Medical Solutions in the United States District Court for the District of New Jersey. The complaint alleges that Unilife Medical Solutions breached contracts with Kahle for Kahle's supply of automation systems for Unilife Medical Solutions' Nexus and Finesse product lines. Kahle seeks monetary damages of \$4.2 million which includes alleged damages that we believe are not recoverable, such as \$0.9 million for bank fees, and \$0.8 million for lost profits. Kahle also seeks injunctive relief enjoining Unilife Medical Solutions from using the Nexus System and requiring Unilife Medical Solutions to take delivery of work in process related to the Finesse System. Unilife Medical Solutions disputes Kahle's allegations that Unilife Medical Solutions terminated its agreement with Kahle for the Finesse System. We intend to defend ourselves vigorously against these claims.

The Company received an assessment for approximately \$0.3 million for sales and use taxes as a result of an audit by the Commonwealth of Pennsylvania. The Company has appealed the assessment and in connection with the appeal the Commonwealth of Pennsylvania required the Company to post a surety bond in December 2016 in the amount of the assessment. The Company transferred \$0.3 million into a restricted cash account as collateral, which is included in restricted cash on the consolidated balance sheet as of December 31, 2016, to support the issuance of the surety bond by a highly rated insurance company.

The Company believes that depending on the outcome, certain of these matters may have a material impact to the Company or its business.

12. Revenue

The Company recognized \$2.3 million and \$4.5 million of revenue during the three months ended December 31, 2016 and 2015, respectively. The Company recognized \$4.1 million and \$7.7 million of revenue during the six months ended December 31, 2016 and 2015, respectively.

During the three months ended December 31, 2016, four customers accounted for 41%, 37%, 12% and 10% of consolidated revenue, respectively. During the three months ended December 31, 2015, three customers accounted for 39%, 30% and 25% of consolidated revenue, respectively. During the six months ended December 31, 2016 three customers accounted for 41%, 28%, and 24% of consolidated revenue, respectively. During the six months ended December 31, 2015 four customers accounted for 32%, 28%, 25% and 11% of consolidated revenue, respectively.

2016

During the three and six months months ended December 31, 2016, the Company recognized \$0.6 million and \$1.0 million of revenue, respectively, related to substantive milestones, as follows:

The Company recognized \$0.6 million and \$1.0 million of revenue during the three and six months ended December 31, 2016 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 six months ended December 31, 2016 are as follows:

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

The remaining substantive milestones as of December 31, 2016 are as follows:

- \$0.4 million for delivery of containers for the filling process; and
- \$0.3 million for delivery of devices for clinical studies.

During the three and six months ended December 31, 2016, the Company recognized \$1.5 million and \$2.7 million in revenue related to services rendered on a time and materials basis, proportional performance method, the completed contract method and/or straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services.

On December 31, 2015, the Company entered into an exclusivity agreement (the “Exclusivity Agreement”) with Amgen Inc. (the “Counterparty”). Pursuant to the Exclusivity Agreement, the Counterparty paid to the Company a non-refundable \$15.0 million license fee (the “First License Fee”). The Company and the Counterparty then entered into a License Agreement on February 5, 2016 (the “First License Agreement”) to further define the license rights set forth in the Exclusivity Agreement. Furthermore on February 22, 2016, the Company granted the Counterparty exclusive rights to the Company’s wearable injectors within select drug classes for use with certain assets, while preserving rights the Company previously granted to other customers. The Company has also granted to the Counterparty non-exclusive rights to all of the Company’s proprietary delivery systems within the therapeutic areas of oncology, inflammation, bone health, nephrology, cardiovascular and neuroscience. The Counterparty paid to the Company an additional non-refundable \$20.0 million fee (the “Second License Fee”) in consideration for such licenses. During the 2017 fiscal year, the Company began development work on wearable injector devices related to the First License Agreement, and recognized \$0.2 million and \$0.3 million in license revenue relating to the First License Fee for the three and six months ended December 31, 2016. The Company will recognize the First License Fee ratably over the life of patents relating to the Company’s wearable injectors, which is expected to be through 2032.

2015

During the three and six months ended December 31, 2015, the Company recognized \$2.1 million and \$3.9 million of revenue related to substantive milestones, respectively, as follows:

The Company recognized \$1.2 million and \$1.7 million of revenue during the three and six months ended December 31, 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 six months ended December 31, 2015 are as follows:

- \$0.5 million for development and delivery of additional human factor stimuli and a report on updated product requirements; and
- \$1.2 million for development and delivery of semi-functional prototypes and related feasibility, product requirement, and risk management reports.

The Company recognized \$0.9 million and \$1.5 million of revenue during the three and six months ended December 31, 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 six months ended December 31, 2015 are as follows:

- \$0.6 million for development and delivery of a complete system layout;
- \$0.3 million for development and delivery of components for a human factor study; and
- \$0.6 million for development and delivery of feasibility devices for testing;

The remaining substantive milestones as of December 31, 2015 are as follows:

- \$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 \$0.0 million and \$0.3 million of revenue during the three and six months ended December 31, 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 six months ended December 31, 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 \$0.0 million and \$0.4 million of revenue during the three and six months ended December 31, 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 six months ended December 31, 2015 are as follows:

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

The remaining substantive milestones as of December 31, 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 and six months ended December 31, 2015, the Company recognized \$2.4 million and \$3.8 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.

13. Changes in Board of Directors

On October 28, 2016 the Board appointed Rosemary A. Crane and Duane DeSisto to serve as members of the Board.

William Galle did not seek re-appointment to the Board at the Company's 2016 annual meeting of stockholders and therefore resigned from the Board effective as of December 15, 2016.

14. Fair Value Measurements

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:

	Total Fair Value Measurements	Basis of Fair Value Measurement		
		Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
December 31, 2016:				
Royalty agreement liability	\$ 5,464	\$ —	\$ —	\$ 5,464
Warrant liability	2,147	—	—	2,147
Derivative liability	457	—	—	457
June 30, 2016:				
Royalty agreement liability	\$ 5,120	\$ —	\$ —	\$ 5,120
Warrant liability	3,351	—	—	3,351
Derivative liability	347	—	—	347

The following table presents the changes in the fair value of the level 3 financial instruments for the six months ended December 31, 2016.

	Royalty Agreement Liability	Warrant Liability	Derivative Liability
June 30, 2016	\$ 5,120	\$ 3,351	\$ 347
Cash payments	(41)	—	—
Liability recognized on new debt issued during period	—	—	172
Increase (decrease) in liability	385	(1,204)	(62)
December 31, 2016	\$ 5,464	\$ 2,147	\$ 457

Following is a description of the valuation methodologies used to measure the royalty agreement liability, the warrant liability, and the derivative liability. There have been no changes in the methodology used during the six months ended December 31, 2016.

The fair value of the royalty agreement liability 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.

The fair value of the warrant liability is based on a Black-Scholes valuation. The fair value estimates are most sensitive to changes in the Company's share price.

The fair value of the derivative liability is based on the average of a Monte Carlo model and a lattice model. The fair value estimates are most sensitive to changes in the Company's share price.

Other Financial Instruments

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 terms that the Company would currently be able to receive for similar instruments of comparable maturity.

15. Sublease

In June 2016, we subleased a portion (the “Subleased Portion”) of our King of Prussia offices. During the term of the sublease, which commenced on October 1, 2016 and will end on March 31, 2019, the Company will receive an aggregate of approximately \$1.3 million in rent with respect to the Subleased Portion. During the same time period, the Company will be obligated under the Company’s lease agreement relating to our King of Prussia offices to pay an aggregate of approximately \$1.9 million in rent with respect to the Subleased Portion. Assuming the sublessee exercises its renewal option, the Company will receive approximately an additional \$1.9 million over the renewal term of April 1, 2019 through June 30, 2022 and the Company will be obligated under the Company’s lease agreement relating to the King of Prussia Facility to pay an aggregate of approximately \$2.5 million over the same time period. The Company ceased using the Subleased Portion as of July 20, 2016.

The Company recognized a liability associated with the subleased portion under a cease-use date approach since the subleased portion did not have any future economic benefit to the Company. The liability was measured and recognized at fair value at cease-use date and the fair value was determined based on the present value of the remaining lease obligations, adjusted for the effects of deferred items recognized under the lease, and reduced by sublease rentals as noted above. In determining the fair value of the liability, the Company assumed that the renewal term would be exercised by the sublessee. The amount of the non-cash charge recorded to record the fair value of the liability was \$0.7 million. The expected cash flows used to estimate the fair value of the liability was discounted using an interest rate that equates to a risk-free rate adjusted for the effect of the Company’s credit standing. The fair value measurement was categorized as Level 3 based on the fair value hierarchy under ASC Topic 820 – *Fair Value Measurements and Disclosures*. Additionally, the Company evaluated certain fixed assets related to Subleased Portion and determined that the remaining useful life to the Company had changed and accelerated all remaining depreciation to these assets. This expense of \$0.6 million was recorded in depreciation and amortization. The Company expensed all other costs related to the sublease as incurred.

Over the life of the expected term of the sublease, the Company expects to incur approximately \$0.3 million in expense to accrete the value of the liability based on the difference between the net cash flows and present value of these cash flows.

The charges, except as noted above, were included in selling, general and administrative expenses. The following table summarizes the liability and costs paid or settled in connection with the sublease, along with total charges expected to be incurred and cumulative charges incurred to date:

	Sublease Costs
	(In thousands)
Liability balance as of June 30, 2016	\$ —
Initial liability measurement	909
Costs incurred and charges to expenses	17
Costs paid or settled	(206)
Liability balance as of December 31, 2016	<u>\$ 720</u>
Total charges expected to be incurred	<u>\$ 1,599</u>
Cumulative charges incurred to date	<u>\$ 1,310</u>

16. Related Party Transactions

Loan from Mr. Shortall

On September 30, 2015, the Company obtained a loan in the amount of \$600,000 from Alan Shortall, the Company’s former Chairman and Chief Executive Officer. During February 2016, the loan was repaid in full including payment of interest to Mr. Shortall at the minimum applicable federal rate, which interest was less than \$2,000.

Bosnjak Mortgage Correspondence

In July 2015, Mr. Shortall and Mr. Bosnjak, without authorization from or knowledge of the Company or its Board, caused to be transmitted to a mortgage broker for Mr. Shortall from Mr. Bosnjak correspondence that contained inaccurate statements about the Company’s financial support for Mr. Shortall’s purchase of and relocation to a new home. The investigation into the matters described in this paragraph did not identify any financial loss to the Company and the Company has corrected the inaccurate statements to the mortgage broker.

Shortall Fund Transfers

Mr. Shortall deposited \$2,264,475 of his own funds into the Company's bank account on June 29, 2015 and then caused the Company to disburse from the Shortall Funds \$1,351,553 to third parties to complete Mr. Shortall's purchase of his new home on July 23, 2015, and the remainder back to himself on July 28, 2015.

For the six months ended December 31, 2015, under Mr. Shortall's direction, the Company accepted a check from Mr. Shortall in the aggregate amount of approximately \$6,000 and disbursed the same amount of funds to Mr. Shortall's designee but did not deposit such check from Mr. Shortall until nineteen days after the Company's disbursement of the funds. The Company believes such transaction constituted a loan from the Company to Mr. Shortall. There were no such transactions for the three and six month periods ended December 31, 2016, or for the three months period ended December 31, 2015.

Bosnjak Loan Payments and Unreimbursed Personal Expenses

For the six months ended December 31, 2015, Mr. Shortall caused approximately \$ 12,000 in Company funds to be transmitted to a third party on behalf of Mr. Bosnjak which had no business purpose for the Company. The Company believes that these payments constituted loans from the Company to Mr. Bosnjak, and the Company is evaluating potential actions to recover these funds. The collection of such amounts was uncertain and the Company recorded approximately \$12,000, as Selling, General and Administrative Expense in the six months ended December 31, 2015. There were no such transactions for the three and six month periods ended December 31, 2016, or for the three month period ended December 31, 2015.

For the three and six months ended December 31, 2015, Mr. Shortall caused the Company to pay for personal expenses of which approximately \$200 and \$600, respectively were not repaid to the Company (the "Unreimbursed Personal Expenses"). The Company believes the Unreimbursed Personal Expenses constituted loans from the Company to Mr. Shortall, and the Company has demanded repayment of the Unreimbursed Personal Expenses. The collection of such amounts was uncertain and the Company recorded approximately \$200 and \$600 as Selling, General and Administrative Expense in the three and six months ended December 31, 2015. There were no such transactions for the three and six month periods ended December 31, 2016.

Advanced Withholding Payments

In July 2015, in connection with the vesting of restricted shares of the Company's common stock, the Company paid associated withholding taxes on behalf of two executive officers, its Vice President of Quality and Regulatory Affairs and Chief Compliance Officer and its former President and Chief Operating Officer, in an aggregate amount of approximately \$126,000 prior to being reimbursed by such executive officers. Such executive officers repaid the Company in full within a range of 18 to 28 days from the date of the withholding payment and before September 30, 2015. The Company believes such advances constituted loans. There were no such loans during the three and six months ended December 31, 2016.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Unilife Corporation:

We have reviewed the consolidated balance sheet of Unilife Corporation and subsidiaries as of December 31, 2016, the related consolidated statements of operations and comprehensive loss for the three-month and six-month periods ended December 31, 2016 and 2015, the related consolidated statement of stockholders' deficit for the six-month period ended December 31, 2016, and the related consolidated statements of cash flows for the six-month periods ended December 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Unilife Corporation and subsidiaries as of June 30, 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for the year then ended (not presented herein); and in our report dated October 21, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of June 30, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Note 3 of Unilife Corporation's audited consolidated financial statements as of June 30, 2016, and for the year then ended, discloses that the Company has incurred recurring losses from operations and has limited cash resources. Our auditors' report on those consolidated financial statements dated October 21, 2016, includes an explanatory paragraph referring to the matters in note 3 of those consolidated financial statements, and indicating that these matters raised substantial doubt about the Company's ability to continue as a going concern. As indicated in note 3 of the Company's unaudited interim consolidated financial statements as of December 31, 2016, and for the three- and six-month periods then ended, the Company has continued to incur losses from operations and has limited cash resources. The accompanying interim financial information does not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Harrisburg, Pennsylvania
February 9, 2017

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 the 2016 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 the 2016 10-K and those described from time to time in other reports, which we file with the SEC.

Overview

We are a designer, manufacturer, and supplier of innovative injectable drug delivery systems that can enhance and differentiate the injectable products of our pharmaceutical and biotechnology customers. We believe our products are differentiated from conventional products, with innovative features and functionality designed to optimize the safe, simple, and convenient administration of injectable therapies. 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, pre-filled and ready for administration by end-users, such as patients or health-care providers. We customize products within each of our platforms to address specific customer, therapy, patient and/or commercial requirements.

Although we have a broad portfolio of proprietary product platforms, we are now focusing our business on our wearable injector products. We expect that by focusing primarily on active and new customer programs in our portfolio of wearable injector systems, we will improve our operating efficiencies and better position the Company to take advantage of commercial opportunities within the fast-growing market for wearable injectors. Our wearable injector customers include Amgen Inc., MedImmune LLC (“MedImmune”), and Sanofi S.A. (“Sanofi”).

Investigation

On May 8, 2016, the Company announced an investigation into violations of the Company’s policies and procedures and possible violations of law and regulation by the Company’s former Chief Executive Officer, Alan Shortall, whose employment with the Company ceased on March 11, 2016, and its former Chairman, Jim Bosnjak, who resigned from the Company’s Board of Directors (the “Board”) on August 24, 2015 (the “Investigation”). The Board established a Special Committee to oversee the Investigation. Independent counsel conducted the Investigation with the assistance of an advisory firm with forensic accounting expertise. The Investigation was completed on October 7, 2016 and did not identify any material financial loss to the Company.

Management and Board Changes

On July 25, 2016, the Company’s employment of Mark Iampietro as the Company’s Vice President of Quality and Regulatory Affairs and Chief Compliance Officer was ended by the Company without cause.

On July 28, 2016:

- the Board appointed Michael E. Kamarck to serve as a member of the Board;
- the Board appointed Ian Hanson as the Company’s Chief Operating Officer in addition to his roles as the Company’s Senior Vice President;

- due to results of the Investigation, Dennis P. Pyers was removed from his position as the Company's Senior Vice President, Controller, Treasurer and Chief Accounting Officer and was appointed as the Company's Senior Advisor, Special Projects;
- the Board appointed David Hastings as the Company's Chief Accounting Officer and Treasurer in addition to his roles as the Company's Senior Vice President and Chief Financial Officer;
- the Board appointed Stephanie Walters as Senior Vice President, General Counsel and Secretary; and
- the Board appointed Molly Weaver, Ph.D., as Vice President of Quality and Regulatory Affairs and Chief Compliance Officer.

On October 27, 2016:

- William Galle notified the Company that he was not seeking re-appointment to the Board and was therefore resigning from the Board effective as of the date of the Company's 2016 annual stockholder meeting, which was held on December 15, 2016.

On October 28, 2016:

- the Board appointed Rosemary A. Crane and Duane DeSisto to serve as members of the Board.

Investigation and Litigation Related to the Investigation

The Company has reported the final results of the Investigation to the U.S. Securities and Exchange Commission (the "SEC") and to The NASDAQ Stock Market LLC ("NASDAQ"), and the Company continues to cooperate fully with the SEC with respect to the SEC's ongoing investigation. The SEC or other external parties could request further documents and information from the Company. The Company and certain of its current and former directors and officers have also been named as defendants in a number of lawsuits filed in connection with the Investigation. For information concerning the SEC's ongoing investigation and such lawsuits, see Part II, Item 1. "Legal Proceedings" of this December 2016 Form 10-Q.

Matters Relating to NASDAQ and Our Common Stock and ASX and our CDIs

The filing of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (the "March 2016 10-Q") and the Company's Annual Report on Form 10-K for fiscal year 2016 (the "2016 10-K") were delayed as a result of the Investigation. As a result of such delay, on May 17, 2016 and September 19, 2016, the Company received a notice from the Listing Qualifications department of NASDAQ stating that, because the Company had not yet filed the March 2016 10-Q and the 2016 10-K, respectively, the Company was no longer in compliance with NASDAQ Listing Rule 5250(c)(1), which requires listed companies to timely file all required periodic financial reports with the SEC. On September 8, 2016, NASDAQ granted the Company an exception until November 7, 2016 to regain compliance with NASDAQ Listing Rule 5250(c)(1). The Company filed the March 2016 10-Q and the 2016 10-K on October 24, 2016. On October 27, 2016, the Company received a notice from the Listing Qualifications department of the NASDAQ that the Company had regained and was in compliance with NASDAQ Listing Rule 5250(c)(1).

On October 17, 2016, the Company received a notice from the Listing Qualifications department of NASDAQ stating that, because the Company did not maintain a minimum Market Value of Listed Securities ("MVLS") of \$50,000,000 for the last 30 consecutive business days, the Company was no longer in compliance with NASDAQ Listing Rule 5450(b)(2)(A).

The Company has been provided a period of 180 calendar days, or until April 17, 2017, to regain compliance with the minimum MVLS listing requirement. If at any time on or before April 17, 2017, the MVLS of the Company's common stock closes at \$50,000,000 or more for a minimum of 10 consecutive business days, NASDAQ will provide the Company with written confirmation that the Company has achieved compliance with the minimum MVLS listing requirement and the matter will be closed.

In the event that the Company does not regain compliance with the minimum MVLS listing requirement on or before April 17, 2017, NASDAQ will provide the Company with written notification that its securities are subject to delisting. At that time, the Company would be permitted to appeal the delisting determination to a NASDAQ Hearings Panel or apply to transfer its common stock to The NASDAQ Capital Market (provided that it satisfied the requirement for continued listing on that market). A transfer of the Company's common stock to The NASDAQ Capital Market may impact the ability of certain stockholders to retain their holdings in the Company.

The Company was also required to file audited financial statements with the Australian Securities Exchange (the "ASX") no later than September 30, 2016 (the "ASX Deadline"). The Company was not able to file such audited financial statements by the ASX Deadline. As a result, pursuant to ASX rules, trading in the Company's CDIs on the ASX was to be suspended prior to the opening of trading on the ASX on October 3, 2016, however, the ASX accepted the Company's request for an immediate

voluntary suspension of trading and as such, ASX halted trading of the Company's CDIs on the ASX prior to the opening of trading on September 30, 2016 in Australia. As a result of the Company's filing of audited financial statements with the ASX on October 24, 2016, trading of the Company's CDIs on the ASX has resumed.

Other Events

In February 2016, the Company and Unilife Medical Solutions, Inc., a wholly owned subsidiary of the Company ("Unilife Medical Solutions" and, together with the Company, the "Company Parties") entered into a Securities Purchase Agreement (the "Counterparty SPA") with Amgen Inc. (the "Counterparty"), pursuant to which the Counterparty agreed to purchase from the Company Parties a new series of 6% Senior Secured Convertible Notes Due 2023 in the aggregate original principal amount of up to \$55.0 million (the "Notes"). Pursuant to the Counterparty SPA, the Notes were to be issuable in up to three separate closings. The Company issued to Counterparty the first Note in the aggregate original principal amount of \$30.0 million in February 2016, and Counterparty paid to the Company \$30.0 million in exchange therefor. Pursuant to the Counterparty SPA, the Counterparty originally was entitled to purchase two additional Notes in January 2017 (the "2017 Convertible Note") and January 2018 (the "2018 Convertible Note") in the amounts of \$15.0 million and \$10.0 million respectively.

On October 24, 2016, the Company Parties and the Counterparty entered into a letter agreement (the "October Counterparty Letter Agreement"), pursuant to which the Company Parties agreed to issue to the Counterparty on October 24, 2016, in accordance with the terms and conditions of the Counterparty SPA and the October Counterparty Letter Agreement, a portion of the 2017 Convertible Note (the "Accelerated Convertible Note") in the initial principal amount of \$10.0 million plus a \$0.6 million financing fee (the "Financing Fee"), for an aggregate initial principal amount of \$10.6 million. In consideration for issuing the Accelerated Convertible Note, the Counterparty paid to the Company \$10.0 million on October 24, 2016.

On December 20, 2016, the Company issued the remaining portion of the 2017 Convertible Note in the aggregate principal amount of \$5.0 million (the "December 2016 Convertible Note") and the Counterparty paid to the Company \$5.0 million in exchange therefor.

Pursuant to the Counterparty SPA, the Counterparty is entitled to purchase an additional Note in January 2018 in the amount of \$10.0 million (the "2018 Convertible Note"). The 2018 Convertible Note will continue to be issuable in January 2018 by the Company Parties to the Counterparty in accordance with the terms and conditions of the Counterparty SPA. There can be no assurance as to when or if the Counterparty will purchase all or any part of the 2018 Convertible Note.

In December 2016, the Company announced that it had listed its York, Pennsylvania facility for sale due to unused capacity as a result of focusing on its wearable injector products.

Key Factors Affecting Performance and Financial Condition

We are party to several agreements with our customers, including customers with whom we have entered into customization, development and/or supply agreements. The customization, industrialization and development fees and other payments received from customers in connection with these agreements and development programs accounted for the majority of our revenue during the three and six months ended December 31, 2016.

The Company incurred recurring losses from operations as well as negative cash flows from operating activities during fiscal year 2016 and the six months ended December 31, 2016, 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 injectable drug delivery systems to pharmaceutical and biotechnology customers. Historically, we have funded our operations primarily from a combination of term loans, convertible notes, 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, development and licensing fees (many of which are recognized on the milestone basis of accounting). Customization, industrialization, development and licensing fees accounted for substantially all of our consolidated revenue for the three and six months ended December 31, 2016. We expect that the Company's revenue will continue to fluctuate on a quarter to quarter basis.

Operating Expenses

Our operating expenses are decreasing primarily as a result of the cost reduction initiatives put in place in fiscal year 2016 and our strategic decision to focus primarily on our wearable injector customers. Additionally, during the six months ended December 31, 2016, we reduced our headcount by approximately 10 employees. Such headcount reductions are expected to reduce annual operating costs by approximately \$0.6 million. We do not believe that these cost reduction initiatives will negatively impact our ability to serve our customers. The operating expenses decrease is partially offset by an increase in professional fees incurred in connection with the Investigation.

Significant Developments in the Industry

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 our products are well suited for safe and intuitive patient self-administration of injectable therapies.

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 the 2016 10-K. There have been no changes in critical accounting policies in the current year from those described in the 2016 10-K.

Recently Issued Accounting Pronouncements

See note 4 "Summary of Significant Accounting Policies — 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 and licensing agreements. 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. The Company recognizes license revenue over the life of the patents of the products relating to the license. We also recognize revenue on certain agreements under the completed contract method and 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 corporate payroll and related benefit costs (including share-based compensation expense), marketing and commercial development costs, quality assurance and regulatory costs, accounting and financial related costs, information and technology costs, legal and professional fees, and corporate facility costs.

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.

Change in fair value of financial instruments

Change in fair value of financial instruments includes the change in the Royalty Agreement (defined below) liability, the Warrant liability, the Derivative liability, and the Preferred stock conversion liability, which are marked to fair value on a quarterly basis.

Net loss

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

Results of Operations

The following table summarizes our results of operations for the three and six months ended December 31, 2016 and 2015:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
	(in thousands, except per share data)			
Revenue	\$ 2,340	\$ 4,499	\$ 4,053	\$ 7,686
Operating expenses:				
Research and development	5,701	10,533	12,504	26,537
Selling, general and administrative	6,089	8,774	14,267	18,002
Depreciation and amortization	996	1,422	2,686	2,965
Total operating expenses	12,786	20,729	29,457	47,504
Operating loss	(10,446)	(16,230)	(25,404)	(39,818)
Interest expense	4,488	1,872	8,774	3,556
Change in fair value of financial instruments	380	7,325	(881)	7,927
Other income, net	(5)	(4)	(15)	(14)
Net loss	\$ (15,309)	\$ (25,423)	\$ (33,282)	\$ (51,287)
Net loss per share:				
Basic and diluted net loss per share	\$ (0.92)	\$ (1.98)	\$ (2.00)	\$ (4.05)

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

Revenue. Revenue for the three months ended December 31, 2016 decreased by \$2.2 million, or 48.0%, as compared to the three months ended December 31, 2015. During the three months ended December 31, 2016, we recognized approximately \$0.6 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. Also, during the three months ended December 31, 2016, we recognized \$1.5 million in revenue related to services rendered on a time and materials basis, proportional performance method, the completed contract method and/or straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services. Also, during the three months ended December 31, 2016, we recognized \$0.2 million of license revenue. During the three months ended December 31, 2015, we recognized approximately \$2.1 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. Also during the three months ended December 31, 2015, we recognized \$2.4 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. The decrease in revenue is primarily related to timing of achievement of milestones under customer programs. Our revenue is expected to continue to fluctuate on a quarter to quarter basis.

Research and development expenses . Research and development expenses for the three months ended December 31, 2016 decreased by \$4.8 million, or 45.9%, as compared to the three months ended December 31, 2015 primarily due to decreased employee costs of \$2.3 million, decreased tooling, prototype, and material costs of \$1.5 million, decreased share-based compensation of \$0.7 million, decreased travel costs of \$0.1 million and decreased other costs of \$0.2 million. The decrease in research and development expenses during the current period is related to cost reduction initiatives implemented since September 2015 and our strategy to focus primarily on our wearable injector business.

Selling, general and administrative expenses. Selling, general and administrative expenses for the three months ended December 31, 2016 decreased by \$2.7 million, or 30.6%, as compared to the three months ended December 31, 2015 primarily due to decreased share-based compensation of \$1.5 million, decreased employee costs of \$0.5 million, decreased legal costs of \$0.5 million, and decreased other costs of \$0.2 million.

Depreciation and amortization expense. Depreciation and amortization expense for the three months ended December 31, 2016 decreased by \$0.4 million, or 30%, as compared to the three months ended December 31, 2015 primarily as a result of a reduction of equipment due to the \$26.6 million non-cash asset impairment charge we recorded in fiscal 2016.

Interest expense. Interest expense for the three months ended December 31, 2016 increased by \$2.6 million, or 139.7%, as compared to the three months ended December 31, 2015 primarily attributable to interest on the OrbiMed Financing (\$1.2 million) and the Convertible Note (\$0.7 million), and a decrease in capitalized interest (\$0.7 million).

Change in fair value of financial instruments. Change in fair value of financial instruments for the three months ended December 31, 2016 decreased by \$6.9 million as compared to the three months ended December 31, 2015. A decrease of \$4.3 million is related to the conversion of preferred stock in fiscal 2016. A decrease of \$2.8 million is related to the change in the fair value of the royalty liability in connection with the OrbiMed Financing which is revalued each quarter. An increase of \$0.3 million is due to the remeasurement of the warrant liability due to a decrease in the Company's share price. A decrease of \$0.1 million is related to a decrease in the Company's share price.

Net loss and net loss per share. Net loss during the three months ended December 31, 2016 and 2015 was \$15.3 million and \$25.4 million, respectively. The decrease in net loss is primarily due to the decrease in operating expenses and change in fair value of instruments offset by a decrease in revenue and an increase in interest expense. Basic and diluted net loss per share was \$0.92 and \$1.98 on weighted average shares outstanding of 16,698,329 and 13,377,229, respectively. The increase in the weighted average shares outstanding was primarily due to conversions of preferred shares under the Preferred Stock Purchase Agreement.

Six Months Ended December 31, 2016 Compared to Six Months Ended December 31, 2015

Revenue. Revenue for the six months ended December 31, 2016 decreased by \$3.6 million, or 47.3%, as compared to the six months ended December 31, 2015. During the six months ended December 31, 2016, we recognized approximately \$1.0 million of revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Also,

during the six months ended December 31, 2016, we recognized \$2.7 million in revenue related to services rendered on a time and materials basis, proportional performance method, the completed contract method and/or straight line basis over the requisite service period pursuant to customer agreements to provide various customization and development services. Also, during the six months ended December 31, 2016, we recognized \$0.3 million of license revenue. During the six months ended December 31, 2015, we recognized approximately \$3.9 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. Also during the six months ended December 31, 2015, we recognized \$3.8 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. The decrease in revenue is primarily related to timing of achievement of milestones under customer programs. Our revenue is expected to continue to fluctuate on a quarter to quarter basis.

Research and development expenses. Research and development expenses for the six months ended December 31, 2016 decreased by \$14.0 million, or 52.9%, as compared to the six months ended December 31, 2015 primarily due to decreased employee costs of \$5.4 million, decreased tooling, prototype, and material costs of \$4.1 million, decreased share-based compensation of \$1.7 million, decreased third party contracting costs of \$1.5 million, decreased travel costs of \$0.4 million and decreased other costs of \$0.9 million. The decrease in research and development expenses during the current period is related to cost reduction initiatives implemented since September 2015 and our strategy to focus primarily on our wearable injector business.

Selling, general and administrative expenses. Selling, general and administrative expenses for the six months ended December 31, 2016 decreased by \$3.7 million, or 20.7%, as compared to the six months ended December 31, 2015 primarily due to decreased share-based compensation of \$3.1 million, decreased employee costs of \$1.1 million, decreased consulting costs of \$0.2 million, decreased travel costs of \$0.2 million, and decreased other costs of \$0.9 million offset by increased accounting fees of \$1.0 million and the \$0.8 million non-cash charge relating to the sublease of a portion of its King of Prussia facility. The increased accounting fees are primarily related to the Investigation.

Depreciation and amortization expense. Depreciation and amortization expense for the six months ended December 31, 2016 decreased by \$0.3 million, or 9.4%, as compared to the six months ended December 31, 2015 primarily as a result of a reduction of equipment due to the \$26.6 million non-cash asset impairment charge we recorded in fiscal 2016 offset by \$0.6 million accelerated depreciation of fixed assets related to the Subleased Portion.

Interest expense. Interest expense for the six months ended December 31, 2016 increased by \$5.2 million, or 146.7%, as compared to the six months ended December 31, 2015 primarily attributable to interest on the OrbiMed Financing (\$2.6 million) and the Convertible Notes (\$1.2 million), and a decrease in capitalized interest (\$1.3 million).

Change in fair value of financial instruments. Change in fair value of financial instruments for the six months ended December 31, 2016 decreased by \$8.8 million as compared to the six months ended December 31, 2015. A decrease of \$4.3 million is related to the conversion of preferred stock in fiscal 2016. A decrease of \$3.2 million is related to the change in the fair value of the royalty liability in connection with the OrbiMed Financing which is revalued each quarter. A decrease of \$1.2 million is due to the remeasurement of the warrant liability due to a decrease in the Company's share price. A decrease of \$0.1 million is related to an increase in the derivative liability due to an increase in the amount of the Convertible Notes.

Net loss and net loss per share. Net loss during the six months ended December 31, 2016 and 2015 was \$33.3 million and \$51.3 million, respectively. The decrease in net loss is primarily due to the decrease in operating expenses and change in fair value of instruments offset by a decrease in revenue and an increase in interest expense. Basic and diluted net loss per share was \$2.00 and \$4.05 on weighted average shares outstanding of 16,672,595 and 12,915,014, respectively. The increase in the weighted average shares outstanding was primarily due to conversions of preferred shares under the Preferred Stock Purchase Agreement.

Liquidity and Capital Resources

As of December 31, 2016, the Company's unaudited cash balance was approximately \$12.0 million, including \$2.7 million of restricted cash, and the book value of our debt was \$126.1 million. As of December 31, 2016, the Company also had a working capital deficit of \$3.1 million. Under the Company's debt facilities, the Company was required to have a cash and restricted cash balance of \$5.4 million at December 31, 2016 and a cash and restricted cash balance of \$5.3 million at January 31, 2017.

The Company incurred recurring losses from operations as well as negative cash flows from operating activities during fiscal year 2016, and the three and six months ended December 31, 2016, 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 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. In order for the Company to continue operations for the next 12 months and to be able to discharge its liabilities and commitments in the normal course of business, the Company intends to take the steps delineated under "Fundraising Efforts" below to address its cash requirements, the success of which is largely beyond the Company's control, and the Company has otherwise taken the steps outlined in this "Liquidity and Capital Resources" section.

Amgen Inc.

On October 24, 2016, the Company Parties and the Counterparty entered into the October Counterparty Letter Agreement, pursuant to which the Company Parties agreed to issue to the Counterparty on October 24, 2016, in accordance with the terms and conditions of the Counterparty SPA and the October Counterparty Letter Agreement, the Accelerated Convertible Note in the initial principal amount of \$10.0 million plus a \$0.6 million Financing Fee, for an aggregate initial principal amount of \$10.6 million. In consideration for issuing the Accelerated Convertible Note, the Counterparty paid to the Company \$10.0 million on October 24, 2016.

On December 20, 2016, the Company issued the remaining portion of the 2017 Convertible Note in the aggregate principal amount of \$5.0 million (December 2016 Convertible Note) and the Counterparty paid to the Company \$5.0 million in exchange therefor. There can be no assurance as to when or if the Counterparty will purchase all or any part of the 2018 Convertible Note. The Notes are convertible at the Counterparty's election into shares of common stock at any time prior to February 22, 2023, at a price per share that is 90% of the volume weighted average price of such shares during the 20 trading days preceding the applicable conversion date, subject to a floor price of \$12.50 per share (the "Conversion Rate Floor Price"). The Conversion Rate Floor Price under each of the Notes is subject to customary adjustments for certain capital events.

OrbiMed Financing

On February 22, 2016, in connection with the formation of the strategic collaboration with the Counterparty, Unilife Medical Solutions entered into an Eighth Amendment (the "Eighth Amendment to the Credit Agreement") to the Credit Agreement, dated March 12, 2014, by and between ROS Acquisition Offshore LP (the "Lender"), an affiliate of OrbiMed Advisors, and Unilife Medical Solutions (the "Credit Agreement," and, as amended the "Amended Credit Agreement" or the "OrbiMed Financing"). Pursuant to and subject to the terms of the Eighth Amendment to the Credit Agreement, the Lender agreed to: (i) defer all obligations of Unilife Medical Solutions to pay interest to the Lender for the period from January 1, 2016 through February 22, 2018 at the rate specified in the Amended Credit Agreement, which interest will be added to the outstanding principal amount of the loan on the last day of each interest period; (ii) enable the Counterparty to take a security interest in certain inventory and intellectual property assets related to a specific device licensed to the Counterparty; and (iii) remove the minimum cash receipts covenant for all future periods. In addition, on February 22, 2016, Unilife Medical Solutions entered into the Sixth Amendment to the Royalty Agreement (as amended, the "Royalty Agreement,") with Royalty Opportunities S.A.R.L. ("ROS"). Pursuant to and subject to the terms of the Sixth Amendment to the Royalty Agreement, ROS agreed to waive any rights to royalty payments otherwise payable as a result of the License Fee and the proceeds of the Notes with the Counterparty, and to defer royalty payments payable on revenues received by the Company from the Counterparty until after the end of the first fiscal quarter in which the Company sells a commercial quantity of devices developed for the Counterparty.

Cost Reduction Initiatives

As previously announced, the Company has focused the business primarily on active and new customer programs in its portfolio of wearable injector systems. This primary focus on wearable injectors is expected to enhance operating efficiencies and better position the Company to take advantage of commercial opportunities within the fast-growing market for wearable injectors. In connection with this new focus, the Company has been evaluating the prospects of its non-wearable injector customer programs and attempting to negotiate terminations of certain non-wearable injector customer contracts.

The Company has separate contracts with one customer for its prefilled syringes and wearable injectors. In connection with the prefilled syringe contract with such customer, the Company previously received \$10.0 million which may be refundable to the customer, including for termination for certain events and is therefore recorded in long-term deferred revenue. Although this \$10.0 million is not yet refundable, the Company and the customer are amicably negotiating the potential termination of the contract and the potential repayment to the customer of all or a portion of the \$10.0 million potentially through a long-term financial instrument. The outcome of these negotiations is still uncertain.

During the six months ended December 31, 2016, we reduced our headcount by approximately 10 employees. Such headcount reductions are expected to reduce annual operating costs by approximately \$0.6 million. We do not believe that these cost reduction initiatives will negatively impact our ability to serve our customers.

In addition, the Company, on June 20, 2016, subleased a portion (the “Subleased Portion”) of its King of Prussia, Pennsylvania facility (the “Facility”). During the term of the sublease, which commenced on October 1, 2016 and will end on March 31, 2019, the Company will be entitled to receive an aggregate of approximately \$1.3 million in rent with respect to the Subleased Portion. During the same time period, the Company will be obligated under the Company’s lease agreement relating to the Facility to pay an aggregate of approximately \$1.9 million in rent with respect to the Subleased Portion. Assuming the sublessor exercises its renewal option, the Company will be entitled to receive approximately an additional \$1.9 million over the renewal term of April 1, 2019 through June 30, 2022 and the Company will be obligated under the Company’s lease agreement relating to the Facility to pay an aggregate of approximately \$2.5 million over the same time period. The Company ceased using the Subleased Portion as of July 20, 2016. During the three months ended September 30, 2016, the Company recorded a non-cash charge of \$1.3 million which consisted of two components: (i) \$0.7 million related to the discounted fair value of the difference between the amounts to be received from the sublessor and the amounts to be paid to the landlord, adjusted by costs previously deferred related to the Subleased Portion; and (ii) \$0.6 million related to accelerated depreciation of fixed assets related to the Subleased Portion.

Cash Receipts

The Company expects to generate cash receipts from wearable injector customers during fiscal 2017 and the Company continues to have business development discussions with current and prospective wearable injector customers. The Company is, however, unable to predict the amount, if any, or the timing of such receipts or any proceeds from these business development discussions.

Fundraising Efforts

The Company’s ability to raise capital will be limited and there can be no assurance that financing will be available when needed. The Company will not be able to obtain financing through offerings of its securities registered under the Securities Act until the Company can prepare, file with the SEC, and cause to become effective a registration statement on Form S-1. We are not currently eligible to register the offer and sale of our securities using a registration statement on Form S-3, cannot use our existing Form S-3 and will not become eligible to use Form S-3 until we have timely filed certain periodic reports required under the Exchange Act for 12 consecutive calendar months. As a result, the Company will not be able to obtain financing under the Controlled Equity Offering Sales Agreement that the Company entered into with Cantor Fitzgerald & Co. on July 29, 2015 (the “New Sales Agreement”) or the equity purchase agreement that the Company entered into with Lincoln Park Capital Fund, LLC (“LPC”) on July 29, 2015 (the “LPC Purchase Agreement”) at least until the Company is eligible to register the offer and sale of our securities using a registration statement on Form S-3.

Pursuant to the Counterparty SPA, the Counterparty may purchase up to an additional \$10.0 million in Notes in January 2018. See note 9 “Long-Term Debt – Senior Secured Convertible Note” for more information regarding the Notes. There can be no assurance as to when or if the Counterparty will purchase all or any part of the 2018 Convertible Note.

The Company has also engaged a financial advisory firm to further assist with fundraising efforts. There is no assurance that the financial advisory firm will be successful in these efforts. This process could result in any number of alternatives, which are likely to be highly dilutive to Company stockholders. There is no assurance that the Company will be successful in these efforts or, if successful, that the Company will be able to obtain favorable terms.

The Company believes its existing cash at December 31, 2016 will provide the Company with sufficient liquidity to fund the Company’s operations into March 2017 without falling below its minimum cash balance requirement under the Company’s debt facilities of \$5.1 million. The Company believes that any potential proceeds from fundraising efforts, the potential issuance of the 2018 Convertible Note, potential customer cash receipts, and potential proceeds from business development discussions will provide the Company with enough liquidity to fund its operations for the next twelve months. However, there can be no assurance that any cash from fundraising efforts, if successful, the potential issuance of the 2018 Convertible Note, potential customer cash receipts, and potential proceeds from business development discussions will be available when needed, as such sources of liquidity largely are beyond the Company’s control. If we are unable to obtain financing when needed, we may be in default under one or more of our debt obligations unless we are able to obtain waivers from our lenders. A breach of any of the covenants related to our 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, we would be unable to pay the obligations as we do not have existing facilities or sufficient cash on hand to satisfy these obligations. Under the circumstances, we also would be unable to pay our other obligations as they come due, which could prompt our creditors to pursue

other remedies. These factors continue to raise substantial doubt about our 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 following table summarizes our cash flows during the six months ended December 31, 2016 and 2015:

	Six Months Ended December 31,	
	2016	2015
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	\$ (23,273)	\$ (13,719)
Investing activities	(482)	(6,750)
Financing activities	14,366	26,138

Net Cash Used In Operating Activities

Net cash used in operating activities during the six months ended December 31, 2016 was \$23.3 million compared to \$13.7 million during the six months ended December 31, 2015. The increase in net cash used in operating activities was primarily due to a decrease in deferred revenue, accounts payable, and accrued expenses; partially offset by a decrease in operating expenses.

Net Cash Used in Investing Activities

Net cash used in investing activities during the six months ended December 31, 2016 and 2015 was \$0.5 million and \$6.8 million, respectively. The decrease in net cash used in investing activities is primarily due to our focus on wearable injector products which require less capital investment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities during the six months ended December 31, 2016 was \$14.4 million compared to \$26.1 million during the six months ended December 31, 2015.

During the six months ended December 31, 2016, we issued \$15.0 million in Notes, net of financing fee, offset by \$0.3 million in principal debt repayments and royalty payments and a \$0.3 million increase in restricted cash.

During the six months ended December 31, 2016, the Company made non-cash repayments totaling \$2.3 million towards the balance of the Outstanding Counterparty Notes. The repayments were for credits relating to development and customization fees.

During the six months ended December 31, 2015, we received \$9.9 million in net proceeds in conjunction with the Third Amendment to the Credit Agreement, \$9.4 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, \$7.2 million in net proceeds from the issuance of preferred shares under the Preferred Stock Purchase Agreement, \$0.6 million in proceeds from borrowings from our former CEO, which was partially offset by \$0.6 million in principal debt repayments and royalty payments and \$0.3 million dividend payment associated with the conversion of preferred stock.

Contractual Obligations and Commitments

The following table provides information regarding our contractual obligations as of December 31, 2016:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt and related interest	\$ 220,201	\$ 1,557	\$ 20,268	\$ 102,354	\$ 96,022
Operating leases	7,058	1,247	2,528	2,618	665
Purchase obligations	189	189	—	—	—
Total contractual obligations	<u>\$ 227,448</u>	<u>\$ 2,993</u>	<u>\$ 22,796</u>	<u>\$ 104,972</u>	<u>\$ 96,687</u>

The table above does not reflect any cash inflows relating to the Subleased Portion.

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

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) are designed to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

All internal control systems, no matter how well designed and tested, have inherent limitations, including, among other things, the possibility of human error, circumvention or disregard. Therefore, even those systems of internal control that have been determined to be effective can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As previously disclosed in the Company’s 2016 10-K, the Company’s current management discovered violations of Company policies and procedures and possible violations of laws and regulations by Alan Shortall, the Company’s former Chief Executive Officer, and Jim Bosnjak, the Company’s former Chairman and member of the Company’s Board of Directors (“Board”). Mr. Shortall’s employment with the Company ceased on March 11, 2016, and Mr. Bosnjak resigned from the Board on August 24, 2015. The Board established a Special Committee to oversee an independent investigation. External counsel conducted the investigation with the assistance of an advisory firm with forensic accounting expertise (the “Investigation”). The Investigation did not identify any material financial loss to the Company.

The Company carried out an evaluation, of the effectiveness of the design and operation of its disclosure controls and procedures as of December 31, 2016. Due to the material weaknesses in internal control over financial reporting as described in “Management’s Report on Internal Control over Financial Reporting” below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective, and were not operating at a reasonable assurance level as of December 31, 2016.

Management’s Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining effective internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting refers to a process designed by, or under the supervision of, our Chief Executive Officer and our Chief Financial Officer and effected by our Board, management and other personnel, 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our Board; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management, under the supervision of the Company’s CEO and CFO, and oversight of the Board, conducted an assessment of the effectiveness of internal control over financial reporting. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission’s 2013 Framework (the “COSO 2013 Framework”). Management has determined the following material weaknesses existed at December 31, 2016:

The Company did not have an effective control environment, risk assessment process, information and communication process and monitoring activities; specifically:

- The Company failed to establish a tone at the top that demonstrated its commitment to integrity and ethical values. Mr. Shortall created instances where certain personnel participated in override of the Company’s policies and procedures and internal controls without exercising the appropriate professional skepticism and failed to communicate the override of controls to others.
- The Company did not have an effective annual process in place to ensure that all employees, including management, confirmed their compliance with the Company’s Business Conduct Policy and that deviations from the expected standards of conduct were identified and remedied in a timely manner.
- The Company did not have a sufficient number of trained resources with assigned responsibility and accountability for financial reporting processes and the design, documentation and effective operation of internal controls to effectively adopt the COSO 2013 Framework.
- The Company did not have an effective, documented and continuous risk assessment process to identify and analyze risks of financial misstatement due to error and/or fraud, including management override of controls, and determine an appropriate action to manage the financial reporting risks.
- The Company did not have effective information and communication and monitoring controls to ensure the timely identification and communication of related party transactions to financial reporting personnel, management, and the Board, to enable appropriate financial reporting and disclosure of such transactions.

As a consequence of the inappropriate tone at the top and the above-mentioned entity level deficiencies, the following process level control deficiencies were identified:

- Ineffective operation of certain process level controls due to management override of controls resulting from the dominant influence of the former CEO, including ineffective process-level controls over the accounting for related party transactions and the evaluation of transactions with senior executives and a former Board member that represented loans and advances. In addition, the Company did not involve those employees with the appropriate knowledge and expertise to evaluate the business purpose of the transactions and compliance with laws and regulations.
- Ineffective design and implementation and documentation of management review controls, specifically, the management review controls did not adequately address or document management's expectations, criteria for investigation, the level of precision used in the performance of the review control, and how outliers were identified, investigated and resolved.
- Ineffective general information technology controls (GITCs) for the significant IT platforms due to inadequate IT resources. Specifically, the Company did not have effectively designed and documented program change controls and effective user access controls over IT operating systems, databases and IT applications. Accordingly, process level automated controls and compensating manual controls that were dependent upon the information derived from the IT systems were determined to be ineffective.

These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis. Accordingly, we concluded that the control deficiencies represent material weaknesses in the Company's internal control over financial reporting and our internal control over financial reporting was not effective as of December 31, 2016.

Remediation of Material Weaknesses

The Company continues to work, to strengthen our internal control over financial reporting. We are committed to ensuring that such controls are designed and operating effectively. Our Board and management take internal controls over financial reporting and the integrity of the Company's financial statements seriously and believe that the remediation steps described below, including with respect to personnel changes, were and are essential steps to establishing and maintaining strong and effective internal controls over financial reporting and addressing the tone at the top concerns that contributed to the material weaknesses identified. The following actions and plans will be or have been implemented:

- The Board replaced Mr. Shortall effective March 2016 with our then interim and now current CEO, John Ryan, effective March 2016. Mr. Bosnjak resigned in August 2015. Mary Kate Wold, President and CEO of the Church Pension Group, a former finance executive at Wyeth and previously the Company's Vice Chair and Lead Independent Director, assumed the role of Board Chair. In addition, the Controller is no longer serving as Chief Accounting Officer, Controller or Treasurer. The Company appointed David Hastings as the Company's Chief Accounting Officer and Treasurer along with Mr. Hastings' current role as Chief Financial Officer. The Company also appointed three new independent Board members.
- Management has evaluated and revised the assignment of authorities and financial reporting responsibilities and roles and has made staffing changes including, without limitation, those noted above; and the Company will increase technical training to those employees involved in the financial reporting process.
- The Company has increased communication and training to employees and the Board regarding the ethical values of the Company and the requirement to comply with laws, rules, regulations, and Company policies, including the Business Conduct Policy and Insider Trading Policy, and the importance of accurate and transparent financial reporting. In addition, the Company has revised its process to ensure that all employees annually confirm compliance with the Company's Business Conduct Policy and that deviations are identified and timely remediated.
- The Company will implement a regularly recurring risk assessment process focused on identifying and analyzing risks of financial misstatement due to error and/or fraud, including management override of controls.
- Under the supervision of the Board, the Company has emphasized to key leadership the importance of setting appropriate tone at the top and of appropriate behavior with respect to accurate financial reporting and adherence to the Company's internal control over financial reporting framework and accounting policies.
- The Board will work with the Company to implement an internal audit function and develop a risk based plan that will monitor the Company's adherence to its policies and procedures including, without limitation, those policies and procedures related to the identification and disclosure of related party transactions, and to review any areas of concern or emphasis that the Board has identified as part of its oversight.

- The Company has updated its policies and procedures to require the identification of related party transactions, transactions with senior executives, and to enhance the review and approval for these types of transactions and ensure their disclosure; and has trained all employees on such updated policies.
- Management review controls will be reassessed to determine the appropriate level of precision required to mitigate the potential for a material misstatement. In addition, the Company will enhance its design and implementation and supporting documentation over management review controls to make clear: (i) management's expectations related to transactions that are subject to such controls; (ii) the level of precision and criteria used for investigation; and (iii) evidence that all outliers or exceptions that should have been identified are investigated.
- The Company has designed and documented its general information technology controls specifically, program change controls, user access controls designed to restrict IT and financial users' access and monitoring controls designed to actively monitor program changes and user access activities.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As noted above, the Company began the process of enhancing existing controls and designing and implementing additional controls and procedures in response to the material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 the Company, 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. Following the discovery process, 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 counter claims the Company had brought against him. Mr. Smith received no payment as part of the resolution and dismissal of his claims against the Company, his attorney received a reduced portion of her fees from the Company's insurer, and the matter is now concluded.

As previously disclosed, subsequent to the filing of an OSHA complaint by Mr. Smith, we received a subpoena from the staff of the SEC (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 and requests for information from the Staff, requesting additional information consistent with the first subpoena. The Staff has also requested information about public statements made by the Company's former Chief Executive Officer. The Company has provided the requested information to the Staff.

On May 8, 2016, the Company announced an investigation into violations of the Company's policies and procedures and possible violations of laws and regulations by the Company's former Chief Executive Officer, Alan Shortall, whose employment with the Company ceased on March 11, 2016, and its former Chairman, Jim Bosnjak, who resigned from the Board on August 24, 2015 (the "Investigation"). The Investigation was completed on October 7, 2016, and the Company has reported to the SEC on the Company's findings from the Investigation, has responded to questions from the Staff regarding the findings, and is cooperating fully with the Staff. To date, the SEC has not indicated whether any fines or penalties will be assessed against the Company in relation to these matters. The Company is unable to predict what action the SEC or other regulatory authority may take, if any, in relation to these matters or the impact, if any, of any such action on the Company's business, operations, cash flows and/or financial condition. If any fines or penalties are assessed against the Company they may be material.

On September 14, 2015, Unilife Medical Solutions was served with a complaint filed in the Superior Court of the State of Connecticut by Bidel, Inc. ("Bidel") seeking (1) to temporarily enjoin Unilife Medical Solutions from entering into a transaction that would jeopardize the Company's ability to perform its obligations under the Customization and Commercial Supply Agreement effective April 8, 2013 (as amended, the "First Bidel Agreement") between Bidel and Unilife Medical Solutions; and (2) damages under the Connecticut Unfair Trade Practices Act. Bidel alleged that Unilife Medical Solutions had engaged in unfair and deceptive trade practices by purportedly misrepresenting its ability and willingness to satisfy its obligations under the First Bidel Agreement and requesting additional payments from Bidel to satisfy the Company's obligations. Additionally, Bidel filed a demand for arbitration with the American Arbitration Association (AAA) asserting that Unilife Medical Solutions had breached its obligations relating to the timing and scope of its performance under the First Bidel Agreement. The Company filed counterclaims in the arbitration for commercial disparagement and breach of the confidentiality provisions of the agreement.

On September 2, 2016, Bidel, the Company and Unilife Medical Solutions entered into an Asset Purchase and License Agreement (the "Second Bidel Agreement") which provides: (a) for the termination of the First Bidel Agreement; (b) for the grant of an exclusive license for a six-month term to the intellectual property rights related to the Unilife mixing device; (c) a six-month term during which Bidel can exercise an option (the "Option") to purchase certain assets associated with the First Bidel Agreement for \$1.5 million (the "Potential Asset Sale") and extend Bidel's license, for fees based on intellectual prosecution and maintenance costs determined on an annual basis; (c) dismissal, with prejudice, of all active proceedings in connection with the litigation and arbitration proceedings pending between Bidel and Unilife Medical Solutions. Under the Second Bidel Agreement, each party also releases the other party of all liability, waives all claims with prejudice, and forever holds the other party harmless from any damages arising out of relating to the First Bidel Agreement. Bidel and Unilife Medical Solutions each paid their respective attorneys' fees and Unilife Medical Solutions paid no monetary amount to Bidel in connection with this resolution. To date, Bidel has not exercised the Option.

On March 24, 2016, Edward Fine filed a complaint against the Company and Unilife Medical Solutions Limited ("UMSL") in the Superior Court of New Jersey. The complaint alleges that the Company and UMSL are in breach of contract and have been unjustly enriched as a result of UMSL's failure to pay certain required payments under a consultancy agreement between Mr. Fine and

UMSL. Pursuant to the complaint, Mr. Fine is seeking monetary damages in the amount of \$288,000 in the aggregate. The Company believes that Mr. Fine's claims and demands for relief are wholly without merit and the Company is vigorously defending the action. On August 15, 2016, we filed an Answer, Affirmative Defenses and Counterclaims, wherein we asserted counterclaims against Mr. Fine for fraud, civil conspiracy, unjust enrichment, breach of contract, and breach of the implied covenant of good faith and fair dealing arising out of Mr. Fine's role in certain previously disclosed transactions involving Mr. Fine and Jim Bosnjak, the Company's former Chairman of the Board. On September 23, 2016, Mr. Fine filed an Answer and Affirmative Defenses to the Company's counterclaims. For additional information regarding the previously disclosed transactions, see the Company's Current Report on Form 8-K filed with the SEC on July 28, 2016 under the heading the "Bosnjak Loan Payments and Unrepaid Personal Expenses." This action is currently in a 450-day discovery period which commenced on July 29, 2016.

On May 26 and 27, 2016, two putative class actions were filed in the United States District Court for the Southern District of New York alleging that in violation of Rule 10b-5 and Section 20(a) of the Exchange Act, the Company and six individual defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company's former CEO and former Chairman of the Board of Directors had violated the Company's policies and procedures and had engaged in violations of law and regulations; (2) that the Company lacked adequate internal controls over accounting and financial reporting; (3) that, as a result, the Company would be unable to file its Quarterly Report on Form 10-Q for the period ended March 31, 2016 by the prescribed filing deadline; and (4) that, as a result of the foregoing, the Company's financial statements, as well as its statements about the Company's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis. The putative class actions were brought on behalf of purchasers of the Company's securities between February 3, 2014 and May 23, 2016. On August 24, 2016, the Court consolidated the two actions, appointed lead plaintiffs and lead counsel, and set a deadline of October 24, 2016 for Plaintiffs to file an amended complaint. The plaintiffs filed an amended complaint on October 24, 2016 expanding the class to purchasers of the Company's securities between November 9, 2011 and July 28, 2016, dropping three of the original individual defendants as named defendants and making additional allegations related to matters the Company disclosed in connection with the Investigation. In accordance with a scheduling order issued by the Court on December 12, 2016, Plaintiffs filed a second amended complaint on December 14, 2016 that, among other things, included allegations relating to the Company's October 24, 2016 and November 14, 2016 SEC filings. In February 2017, the parties reached an agreement-in-principle to fully resolve all claims that were asserted or could have been asserted in the lawsuit. An insurer for the Company has agreed to pay the full amount of the proposed settlement. The proposed settlement is subject to definitive documentation and court approval. If the proposed settlement is not consummated, the Company intends to vigorously contest this lawsuit. The Company has recorded a receivable from its insurance carrier and a liability to the claimants for \$4.4 million, which is included in prepaid and other current assets and accrued expenses on the consolidated balance sheet at December 31, 2016 related to this matter.

On July 11, July 28, and August 1, 2016, respectively, derivative complaints were filed in the Court of Common Pleas in York County, Pennsylvania against 11 current or former directors and/or officers, alleging (i) breach of their fiduciary duties, (ii) unjust enrichment, (iii) abuse of control, (iv) gross mismanagement, and (v) corporate waste. The complaints allege, among other things, that the individual defendants breached the fiduciary duties they owed to the Company by (1) grossly mismanaging the Company and perpetuating a variety of self-serving schemes to benefit themselves and other interested parties and (2) making and/or causing the Company to make false/misleading statements or omissions of fact in its public disclosures. The complaints further allege that as a result of this alleged conduct, the Company will lose and expend millions of dollars. On January 11, 2017, a derivative complaint was filed in the United States District Court for the Southern District of New York against 11 current or former directors and/or officers that makes similar allegations to those asserted in the previously-filed derivative complaints. In February 2017, the parties reached an agreement-in-principle to fully resolve all claims that were asserted or could have been asserted in these lawsuits which includes the Company's agreement to make certain modifications to its corporate governance and also a payment to plaintiffs' attorneys' for their fees, which an insurer for the Company has agreed to pay. The proposed settlement is subject to definitive documentation and court approval. If the proposed settlement is not consummated, the Company intends to vigorously contest these lawsuits. The Company has recorded a receivable from its insurance carrier and a liability to the claimants for \$0.6 million, which is included in prepaid and other current assets and accrued expenses on the consolidated balance sheet at December 31, 2016 related to this matter.

On August 17, 2016, Kahle Automation, S.r.l. ("Kahle") filed a complaint against Unilife Medical Solutions in the United States District Court for the District of New Jersey. The complaint alleges that Unilife Medical Solutions breached contracts with Kahle for Kahle's supply of automation systems for Unilife Medical Solutions' Nexus and Finesse product lines. Kahle seeks monetary damages of \$4.2 million which includes alleged damages that we believe are not recoverable, such as \$0.9 million for bank fees, and \$0.8 million for lost profits. Kahle also seeks injunctive relief enjoining Unilife Medical Solutions from using the Nexus System and requiring Unilife Medical Solutions to take delivery of work in process related to the Finesse System. Unilife Medical Solutions disputes Kahle's allegations that Unilife Medical Solutions terminated its agreement with Kahle for the Finesse System. We intend to defend ourselves vigorously against these claims.

The Company believes that depending on the outcome, certain of these matters may have a material impact to the Company or its business. See Part I, Item 1A Risk Factors – "Matters relating to or arising from the Investigation, including regulatory proceedings, litigation and potential additional expenses, may adversely affect our business and results of operations" of the 2016 10-K.

Item 6. Exhibits

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

Exhibit No.	Description of Exhibit	Included Herewith
10.1*	Letter Agreement, dated October 24, 2016, between Unilife Corporation, Unilife Medical Solutions, Inc. and Amgen Inc.	X
10.2*	6% Senior Secured Convertible Note Due 2023, dated October 24, 2016, in the amount of \$10,600,000 issued by Unilife Corporation and Unilife Medical Solutions, Inc. to Amgen Inc.	X
10.3*	6% Senior Secured Convertible Note Due 2023, dated December 20, 2016, in the amount of \$5,000,000 issued by Unilife Corporation and Unilife Medical Solutions, Inc. to Amgen Inc.	X
10.4	Ninth Amendment to the Credit Agreement, dated as of October 24, 2016, between Unilife Medical Solutions, Inc., ROS Acquisition Offshore LP and the other Creditor Obligors party thereto	X
10.5	Tenth Amendment to the Credit Agreement, dated as of December 20, 2016, between Unilife Medical Solutions, Inc., ROS Acquisition Offshore LP and the other Creditor Obligors party thereto	X
10.6+	Unilife Corporation Amended and Restated 2009 Stock Incentive Plan is incorporated by reference to Annex A of Unilife Corporation's Proxy Statement on Form 14A filed October 28, 2016	
15	Awareness Letter of Independent Registered Public Accounting Firm	X
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer	X
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer	X
32.1	Section 1350 Certification of the Chief Executive Officer	X
32.2	Section 1350 Certification of the Chief Financial Officer	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

* Confidential treatment has been requested for certain provisions of this Exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

** Attached as Exhibits 101 are the following financial statements from Unilife Corporation's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Consolidated Balance Sheets as of December 31, 2016 and June 30, 2016, (ii) Unaudited Consolidated Statement of Operations and Comprehensive Loss for the three and six months ended December 31, 2016 and 2015, (iii) Unaudited Consolidated Statement of Stockholders' Deficit for the six months ended December 31, 2016, (iv) Unaudited Consolidated Statements of Cash Flows for the six months ended December 31, 2016 and 2015, and (v) Notes to Unaudited Consolidated Financial Statements.

+ Indicates a management contract or compensatory plan.

SIGNATURES

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

Date: February 9, 2017

UNILIFE CORPORATION

By: /s/ David C. Hastings
David C. Hastings
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [] and an asterisk*, have been separately filed with the Commission.



October 24, 2016

BY FACSIMILE AND FEDEX

Amgen Inc.
One Amgen Center Drive
Thousand Oaks, CA 91320-1799
Attention: Corporate Secretary (Fax: (805) 447-1010)

Re: Acceleration of Purchase of \$10,000,000 of the 2017 Convertible Note Under the SPA

Ladies and Gentlemen:

Reference is made herein to that certain Securities Purchase Agreement (the “**SPA**”), dated as of February 22, 2016, by and among Unilife Corporation (the “**Company**”), Unilife Medical Solutions, Inc. (“**Unilife Medical**” and, together with the Company, the “**Company Parties**”) and Amgen Inc. (the “**Purchaser**” and, together with the Company and Unilife Medical, the “**Parties**”). Capitalized terms used herein but otherwise not defined shall have the meanings ascribed to such terms in the SPA.

The SPA contemplates the Second Closing whereupon the Company Parties would issue the 2017 Convertible Note to the Purchaser in the principal amount of \$15,000,000.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

Notwithstanding anything to the contrary in the Transaction Documents, on the date hereof, the Purchaser shall purchase from the Company Parties, and the Company Parties shall issue to the Purchaser a portion of the 2017 Convertible Note (the “**Accelerated Convertible Note**”) in the initial principal amount of \$10,000,000 plus the Financing Fee (as defined below), for an aggregate initial principal amount of \$10,600,000 which, except as expressly set forth herein, shall be purchased and issued in accordance with the terms and conditions of the SPA. Notwithstanding the inclusion of the Financing Fee in the initial principal amount of the Accelerated Convertible Note, \$5,000,000 of the 2017 Convertible Note shall continue to be issuable by the Company Parties to the Purchaser in accordance with the terms and conditions of the SPA (such \$5,000,000 portion of the 2017 Convertible Note, the “**January 2017 Convertible Note**”). In consideration for the Company Parties’ issuance of the Accelerated Convertible Note to the Purchaser, the Purchaser shall pay to the Company on the Effective Date via wire transfer of immediately available funds an amount equal to \$10,000,000.

Unilife Corporation

Notwithstanding anything to the contrary in the Transaction Documents, the Accelerated Convertible Note shall be in the form set forth as Exhibit A attached hereto.

In connection with the issuance of the Accelerated Convertible Note, the Company shall pay to the Purchaser a financing fee in the amount of \$600,000 (the “**Financing Fee**”). The Financing Fee shall be added to the initial principal amount of the Accelerated Convertible Note and shall be treated as principal for all purposes thereunder.

Notwithstanding anything to the contrary in the Transaction Documents, in connection with the Closing of the issuance of the Accelerated Convertible Note (the “**Accelerated Convertible Note Closing**”), the Company hereby represents, warrants and covenants that, except as expressly set forth herein:

1. the conditions set forth in Sections 7.1(b)(i), (iii) (except, as noted below, with respect to Section 6.3(iii) of the SPA), (iv) and (v) and Sections 7.1(c)(i), (ii), (iii), (iv) (except as set forth in the Required Filings), (vi), (vii), (viii), (ix), (x), (xi) and (xii) of the SPA have been satisfied or will be satisfied at the Accelerated Convertible Note Closing; and
2. the representations and warranties of the Company set forth in Section 5.11 (No Undisclosed Liabilities), 5.12 (Absence of Litigation), 5.13 (Absence of Changes), 5.15 (Compliance with Laws) and 5.18 (Intellectual Property) of the SPA are true and correct in all material respects (without regard to any “materiality” or similar qualifications or exceptions therein) as of the date hereof (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

The Company understands and confirms that the Purchaser will rely on the foregoing representations in effecting transactions contemplated herein. No representation or warranty by the Company contained in this letter agreement contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

No further representations or warranties are made in connection with the issuance of the Accelerated Convertible Note and the transactions contemplated by this letter agreement.

The Purchaser acknowledges that the Company failed to timely file with the U.S. Securities and Exchange Commission of each of (i) the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2016, (ii) the Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2016, and (iii) has filed corrective amendments to the Company’s Quarterly Reports on Form 10-Q for the quarters ended September 30, 2015 and December 31, 2015 and the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (collectively, the filings referenced in (i) through (iii), the “Untimely Filings”). With respect to the obligations of the Company Parties under Section 6.3(iii) of the SPA and the registration rights of the Purchaser set forth in Section 8 of the SPA, the Purchaser acknowledges that the Company is not currently eligible to register the offer and sale of its securities using a registration statement on Form S-3 and will not become eligible until the Company has timely

filed certain periodic reports required under the Securities Exchange Act of 1934, as amended, for 12 consecutive calendar months. As a result, the Purchaser hereby agrees that the Company's ineligibility to register the offer and sale of its securities using a registration statement on

Form S-3 solely based on the Untimely Filings does not constitute a breach of Sections 6.3(iii) or 8 of the SPA and that the Company has the right to satisfy its obligations thereunder (including, but not limited to under Section 8.4(a) of the SPA) by filing a registration statement on Form S-1.

The Parties hereby agree that the definition of "Transaction Document" in the SPA shall be amended to include this letter agreement and the Accelerated Convertible Note in such definition.

The provisions of Sections 10.1 (Waivers and Amendments), 10.6 (Successors and Assigns), 10.7 (Headings), 10.8 (Governing Law), 10.9 (Jurisdiction), 10.10 (Waiver of Jury Trial), 10.11 (Counterparts; Effectiveness); 10.12 (Entire Agreement) and 10.13 (No Third Party Beneficiaries) of the SPA are incorporated herein by reference, *mutatis mutandis*, such that such provisions shall apply to this letter agreement and the Parties.

Please countersign this letter agreement below to confirm your acknowledgment and agreement with the terms of this letter agreement.

Very yours truly,

UNILIFE CORPORATION

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

UNILIFE MEDICAL SOLUTIONS

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

CONFIRMED AND AGREED TO:

AMGEN INC.

By: /s/ David Meline
Name: David Meline
Title: EVP & CFO

Exhibit A
Form of Accelerated Convertible Note Due 2023

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH SUCH SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

UNILIFE CORPORATION

6% SENIOR SECURED CONVERTIBLE NOTE DUE 2023

Issuance Date: October 24, 2016

Principal: U.S. \$ **10,600,000**

FOR VALUE RECEIVED, Unilife Corporation, a Delaware corporation (“**Holdings**”), and Unilife Medical Solutions, Inc., a Delaware corporation (“**Solutions**”), and together with Holdings and any other entity that may become a party hereto as provided herein, each a “**Company**” and, collectively the “**Company**”), hereby promises to pay to Amgen Inc. or its registered assigns (“**Amgen**” or “**Holder**”) the amount set out above opposite the caption “**Principal**” (as such amount may be increased or reduced from time to time pursuant to the terms hereof, whether through the payment of PIK Interest (as defined below) or through redemption, conversion or otherwise, the “**Principal**”) when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case, in accordance with the terms hereof) and to pay Interest (as defined below) on the outstanding Principal at the rates, in the manner and at the times set forth herein. This Senior Secured Convertible Note Due 2023 (including all Senior Secured Convertible Notes Due 2023 issued in exchange, transfer or replacement hereof, this “**Note**”) is one of several Senior Secured Convertible Notes Due 2023 that have and may be issued pursuant to that certain Securities Purchase Agreement, dated February 22, 2016 (collectively, the “**Notes**” and such other Senior Secured Convertible Notes Due 2023, the “**Other Notes**”). The initial Note in the initial aggregate principal amount of \$30,000,000 was issued under the Securities Purchase Agreement on February 22, 2016. Certain capitalized terms used herein are defined in Section 22. Capitalized terms used herein but not defined shall have the meaning given to such terms in the Securities Purchase Agreement. For the avoidance of doubt, unless otherwise expressly set forth herein, the Companies shall be jointly and severally responsible for the obligations of the “**Company**” or “**Companies**” set forth herein.

(1) PAYMENTS and PREPAYMENTS. Except as otherwise expressly set forth herein, the Note will be repaid through reductions in principal and/or interest in amounts equal to (i) []* discounted pricing on purchases by Amgen or its Affiliates of the Company’s products purchased pursuant to one or more of the License Agreements, the Development and Supply Agreement (as defined in the License Agreements), or otherwise, (ii) credits taken by Amgen or its Affiliates against development and customization fees for devices, if applicable, pursuant to one or more of the License Agreements, the Development and Supply Agreement, or otherwise and (iii) credits against per-unit royalties otherwise payable to the Company pursuant to one or more of the License Agreements, the Development and Supply Agreement, or otherwise for the

manufacture and sale of the Company's products. To the extent that more than one Note is outstanding, repayment shall be applied to the Notes in the order of their issuance. Within 10 days after the Company has closed its financial books and records with respect to a month, the Company shall provide the Holder with a monthly statement with respect to such month indicating the calculation of any reduction in Principal or Interest pursuant to the preceding sentence and the Principal and Interest outstanding as of the close of such month after giving effect to any such reduction. On the Maturity Date and upon the surrender of this Note, the Company shall pay to the Holder in cash, an amount equal to any remaining outstanding Principal (if any) and accrued and unpaid Interest thereon. The " **Maturity Date** " shall be February 22, 2023.

The Company may prepay any portion of the outstanding Principal or any accrued and unpaid Interest on the terms and conditions set forth below. To prepay Holder any amount of outstanding Principal or accrued and unpaid Interest (a " **Prepayment Amount** ") on a given date (a " **Prepayment Date** "), the Company shall transmit by facsimile (or otherwise deliver) to Holder, for receipt on or prior to 5:00 p.m., Eastern Time, on the twentieth (20th) Business Day prior to the proposed Prepayment Date, a notice of prepayment (a " **Prepayment Notice** ") specifying the proposed Prepayment Amount and proposed Prepayment Date. If, within the fifteen (15) Business Days following receipt of a Prepayment Notice, Holder delivers to the Company a Conversion Notice, then the Prepayment Amount on the applicable Prepayment Date shall be reduced by the Conversion Amount in such Conversion Notice (and, for the avoidance of doubt, if the Conversion Amount is greater than or equal to the Prepayment Amount, then no prepayment shall occur on the proposed Prepayment Date).

Following any such prepayment, Holder shall surrender this Note to a common carrier for delivery to the Company as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). If this Note is physically surrendered pursuant to the foregoing sentence and the outstanding Principal and accrued and unpaid Interest of this Note is greater than the Prepayment Amount, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder a new Note (in accordance with Section 12(d)). Notwithstanding the foregoing, the Holder and the Company may agree to maintain records showing the portion of Principal and Interest prepaid and the applicable Prepayment Dates or use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon prepayment. In the event of a dispute in connection with a prepayment of this Note, the Company shall prepay to the Holder the portion of the proposed Prepayment Amount not in dispute and resolve such dispute in accordance with Section 17.

(2) INTEREST.

(a) Interest on this Note (" **Interest** ") shall commence accruing at the Interest Rate on the Issuance Date and shall be computed on the basis of a 360-day year and twelve 30-day months and the actual number of days elapsed and shall be payable in arrears for each Calendar Quarter on the first day of the succeeding Calendar Quarter during the period beginning on the Issuance Date and ending on, and including, the Maturity Date (each, an " **Interest Date** ") with the first Interest Date being April 1, 2017. Interest shall

be payable on each Interest Date, to the record holder of this Note on the applicable Interest Date, through the addition of the amount of such Interest to the then outstanding Principal (“ **PIK Interest** ”). Interest that is paid in the form of PIK Interest shall be considered paid or duly provided for, for all purposes under this Note, and shall not be considered overdue.

(b) Accrued and unpaid Interest due on any portion of the Principal that is converted pursuant to Section 3 shall accrue through the Conversion Date and shall be paid on the next Interest Date, unless the entire outstanding Principal amount is being converted, in which case, the accrued and unpaid Interest shall be paid on the corresponding Share Delivery Date.

(3) **CONVERSION OF NOTES**. This Note shall be convertible into shares of Holdings’ common stock, par value \$0.01 per share (the “**Common Stock**”), on the terms and conditions set forth in this Section 3.

(a) **Conversion Right**. At any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and non-assessable shares of Common Stock in accordance with Section 3(c), at the Conversion Rate (as defined below). Holdings shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, Holdings shall round such fraction of a share of Common Stock up to the nearest whole share. Holdings shall pay any and all transfer, stamp and similar taxes that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

(b) **Conversion Rate**. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a) shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Rate (as defined below).

- (i) “ **Conversion Amount** ” means the portion of the Principal to be converted, redeemed or otherwise with respect to which this determination is being made (which shall include PIK Interest, if applicable under Section 2(b)).
- (ii) “ **Conversion Rate** ” means as of any Conversion Date (as defined below) or other date of determination during the period beginning on the Issuance Date and ending on and including the Maturity Date, 90% of the Twenty Day VWAP of the Common Stock on the Trading Day immediately prior to the applicable Conversion Date (the “ **Discounted Sale Price** ”); provided, however, that if the Discounted Sale Price is an amount less than the greater of (x) \$12.50 per share, (y) the Closing Sale Price on the Trading Day immediately preceding the Issuance Date, and (z) the book value per share of Common Stock (as calculated in accordance with the rules of the principal securities exchange or trading market of the

Common Stock) on the Trading Day immediately preceding the Issuance Date, then the Conversion Rate shall be equal to the amount that is the greater of (x),(y) and (z) (the floor price set forth in the foregoing proviso, “ **Conversion Rate Floor Price**”).

- (iii) Notwithstanding any other provision, at no time may the Company issue shares of Common Stock to Noteholder which, when aggregated with all other shares of Common Stock then deemed Beneficially Owned by Noteholder, would result in Noteholder becoming the Beneficial Owner of more than 19.99% of all Common Stock outstanding immediately after giving effect to such issuance.

(c) Mechanics of Conversion.

- (i) Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a “**Conversion Date**”), the Holder shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 5:00 p.m., Eastern Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the “**Conversion Notice**”) to Holdings and (B) if required by Section 3(c)(iii), surrender this Note to a common carrier for delivery to Holdings as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). On or before the first (1st) Business Day following the date of receipt of a Conversion Notice, Holdings shall transmit by facsimile or email a confirmation of receipt of such Conversion Notice to the Holder and the Transfer Agent. On or before the third (3rd) Business Day following the date of receipt of a Conversion Notice (the “**Share Delivery Date**”), Holdings shall deliver the shares of Common Stock to which the Holder shall be entitled by Deposit/Withdrawal at Custodian (“ **DWAC** ”) or other available means of electronic delivery through the Depository Trust Company. If this Note is physically surrendered for conversion as required by Section 3(c)(iii) and the outstanding Principal of this Note is greater than the portion of the Conversion Amount constituting principal, then Holdings at its own expense shall as soon as practicable and in any event either (i) mail to the holder within three (3) Business Days after receipt of this Note a new Note (in accordance with Section 12(d)) representing the outstanding Principal not converted, or (ii) deliver to the Holder within five (5) Business Days after receipt of this Note a new Note (in accordance with Section 12(d)) representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date to the extent permitted by applicable law.

- (ii) Holdings' Failure to Timely Convert. If Holdings shall fail to deliver via DWAC or issue a certificate to the Holder for the number of shares of Common Stock to which the Holder is entitled upon conversion of any Conversion Amount on or prior to the date which is three (3) Business Days after the Conversion Date (a "**Conversion Failure**"), then (A) the Company shall pay damages in cash to the Holder for each date of such Conversion Failure in an amount equal to 1.5% of the product of (I) the sum of the number of shares of Common Stock not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled, and (II) the Closing Sale Price of the Common Stock on the Share Delivery Date and (B) the Holder, upon written notice to Holdings, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, any portion of this Note that has not been converted pursuant to such Conversion Notice; provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 3(c) (ii) or otherwise. At the Holder's option in lieu of the foregoing, if within three (3) Business Days after Holdings' receipt of the facsimile copy of a Conversion Notice Holdings shall fail to issue and deliver a certificate or shares via the DWAC system to the Holder for the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by the Holder of Common Stock issuable upon such conversion that the Holder anticipated receiving from Holdings (a "**Common Stock Buy- In**"), then Holdings shall, within three (3) Business Days after the Holder's request (which shall include written evidence of a Common Stock Buy-In) and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Common Stock Buy- In Price**"), at which point Holdings' obligation to deliver such certificate (and to issue such Common Stock) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Common Stock Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Conversion Rate on the Conversion Date.
- (iii) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance

with the terms hereof, the Holder shall not be required to physically surrender this Note to Holdings unless (A) the full Principal represented by this Note is being converted, together with all accrued and unpaid Interest thereon, or (B) the Holder has provided Holdings with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and Holdings shall maintain records showing the portion of Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and Holdings, so as not to require physical surrender of this Note upon conversion.

- (iv) Disputes. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, Holdings shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 17.
- (v) Sale or Transfer into Australia. The purpose of the issue and sale of this Note is not to facilitate the subsequent sale or transfer of this Note or shares of Common Stock issuable to the Holder on conversion of this Note (or grant, issue or transfer any interest in or option over such shares of Common Stock (including CDIs over such shares of Common Stock) into Australia within 12 months following the date of issue of this Note or shares of Common Stock issuable on conversion of this Note (as applicable) by the Company.

(d) Hart-Scott-Rodino. Notwithstanding anything to the contrary contained in this Note, in the event that any conversion of this Note is subject to the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), the conversion by the Holder of this Note and the issuance by the Company of shares of Common Stock required by such conversion shall be subject to the expiration or earlier termination of the waiting period under the HSR Act.

(4) EVENTS OF DEFAULT; RIGHTS UPON EVENT OF DEFAULT.

(a) Events of Default. Each of the following events (so long as it is continuing) shall constitute an “**Event of Default**”:

- (i) Holdings’ (A) failure to cure a Conversion Failure with respect to any of the Notes by delivery of the required number of shares of Common Stock within ten (10) Business Days after the applicable Conversion Date or (B) written notice to the Holder, or by way of public announcement by Holdings, at any time, of its intention not to comply with a request for conversion of any Notes into shares of

Common Stock that is tendered for conversion in compliance with the provisions of the Notes and applicable securities laws;

- (ii) the Company's failure to pay to the Holder any amount of Principal, premium (if any), Interest, or other amounts when and as due under this Note (including, without limitation, the Company's failure to pay any redemption payments hereunder), any other Transaction Document or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby to which such Holder is a party, provided, that such failure shall constitute an Event of Default only if such failure continues for a period of at least five (5) Business Days after the Company's receipt of written notice from the Holder of the failure to pay;
- (iii) any acceleration prior to maturity of (A) any Indebtedness of the Company arising under the OrbiMed Credit Agreement or (B) any Indebtedness of the Company, other than the Notes or arising under the OrbiMed Credit Agreement, in an aggregate principal amount in excess of \$1,000,000;
- (iv) the Company, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, "**Bankruptcy Law**"), (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official (a "**Custodian**"), (D) makes a general assignment for the benefit of its creditors, or (E) admits in writing, after the date on which this Note is originally issued to the initial Holder, that it is generally unable to pay its debts as they become due;
- (v) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company or (C) orders the liquidation of the Company;
- (vi) a final judgment or judgments for the payment of money aggregating in excess of \$1,000,000 are rendered against the Company and which judgments are not, within sixty (60) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within sixty (60) days after the expiration of such stay; provided, however, that any judgment which is covered by insurance or an indemnity from a creditworthy party shall not be included in calculating the \$1,000,000 amount set forth above so long as the Company provides the Holder with a written statement from such insurer or indemnity provider (which

written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity;

- (vii) any representation or warranty made by the Company in any Transaction Document or any License Agreement shall prove to be materially false or misleading as of the date made or deemed made;
- (viii) the Company shall materially breach any covenant or other term or condition of any Transaction Document or License Agreement and such material breach continues for a period of at least ten (10) consecutive Business Days (or, if the applicable cure period within such Transaction Document or License Agreement, as applicable, is longer, within such cure period) after written notice thereof is received by the Company from Amgen;
- (ix) any material provision of any Transaction Document or License Agreement ceases to be of full force and effect other than by its terms, or the Company contests in writing (or supports any other person in contesting) the validity or enforceability of any provision of any Transaction Document or License Agreement or the validity or priority of a Lien as required by the Collateral Documents on a material portion of the Collateral;
- (x) the execution or effectiveness of (i) any waiver or termination of, or amendment to, any amendment contemplated in Section 2 of either of the OrbiMed Amendments (as such term is defined in the Securities Purchase Agreement), or (ii) any other agreement, amendment or waiver that alters or affects or may alter or affect any amendment contemplated in Section 2 of either of the OrbiMed Amendments (as such term is defined in the Securities Purchase Agreement), in each case, without Holder's prior written consent;
- (xi) (A) any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected lien (other than by the action or failure to take action by the Holder), with the priority required by the Collateral Documents, on, and security interest in, any material portion of the Collateral purported to be covered thereby, subject to Permitted Liens or (B) any Lien created or purported to be created by the Collateral Documents shall cease to have the same Lien priority established or purported to be established by the Intercreditor Agreement (other than by the action or failure to take action by the Holder); or

- (xii) the incurrence of any lien on the Collateral that is not a Permitted Lien if such Lien is not discharged within five (5) consecutive Business Days.

(b) Right of Holder upon Default. Upon the occurrence of an Event of Default with respect to this Note, the Company shall, within one (1) Business Day of the date on which the Company becomes aware of or reasonably should have become aware of such Event of Default, deliver written notice thereof via facsimile and overnight courier (an “**Event of Default Notice**”) to the Holder. Upon the occurrence of any Event of Default (other than an Event of Default described in Sections 4(a)(iv) and 4(a)(v)) and at any time thereafter during the continuance of such Event of Default, the Holder may, by written notice to the Company (an “**Event of Default Redemption Notice**”), declare all outstanding Obligations payable by the Company hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. Upon the occurrence of any Event of Default described in Sections 4(a)(iv) and 4(a)(v) immediately and without notice, all outstanding Obligations payable by the Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence and during the continuance of any Event of Default, the Holder may exercise any other right, power or remedy granted to it by the Transaction Documents or otherwise permitted to it by law, either by suit in equity or by action at law, or both. If the Holder has submitted an Event of Default Redemption Notice in accordance with this Section 4(b), then the Company shall deliver the Event of Default Redemption Price to the Holder within five (5) Business Days after the delivery of the Event of Default Redemption Notice.

(5) REDEMPTION UPON CHANGE OF CONTROL. No later than ten (10) days prior to the consummation of a Change of Control (or such shorter period prior to the occurrence of a Change of Control that the Company may have knowledge of the occurrence thereof), the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a “**Change of Control Notice**”). On the date of the consummation of the Change of Control (or, if the Company does not have knowledge of the occurrence of a Change of Control at least ten (10) days prior to the occurrence thereof, then within five (5) days after the Company obtains knowledge of the occurrence thereof), the Company shall redeem any outstanding portion of this Note in cash at a price equal to 101% of the aggregate Principal amount thereof, plus accrued and unpaid Interest, if any, to but excluding the Redemption Date (the “**Change of Control Redemption Price**”). Notwithstanding anything to the contrary in this Section 5, until the Change of Control Redemption Price has been tendered for payment in full, the Conversion Amount and any Interest submitted for redemption under this Section 5 may be converted, in whole or in part, by the Holder into Common Stock pursuant to Section 3 and the Change of Control Redemption Price shall no longer be due or payable with respect to any Conversion Amount and Interest so converted into shares of Common Stock.

(6) RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS. If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the “ **Purchase Rights** ”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(7) RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

(a) Pro Rata Distributions. If Holdings, at any time while this Note is outstanding, distributes to all holders of Common Stock (i) evidences of its Indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case “ **Distributed Property** ”), then, unless taken into account pursuant to Section 7(b) below, upon any conversion of this Note that occurs after such record date, the Holder shall be entitled to receive, in addition to the shares of Common Stock otherwise issuable upon such conversion, the Distributed Property that the Holder would have been entitled to receive in respect of such number of shares of Common Stock immediately prior to such record date.

(b) Adjustment of Conversion Rate Floor Price upon Subdivision or Combination of Common Stock. If Holdings at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Rate Floor Price in effect immediately prior to such subdivision will be proportionately decreased. If Holdings at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Rate Floor Price in effect immediately prior to such combination will be proportionately increased.

(8) NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

(9) REDEMPTIONS. In the event of a redemption of less than all of the Principal of this Note under Section 4(b), the Company shall promptly cause to be issued and delivered to the Holder (after such original Note has been delivered to the Company) a new Note representing the outstanding Principal that has not been redeemed. In the event that the Company does not pay the required redemption amount to the Holder within the time period required under Section

4(b), at any time thereafter and until the Company pays such amount in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the amount of Principal that was submitted for redemption and for which the redemption amount has not been paid. Upon the Company's receipt of such notice, (x) the redemption notice shall be null and void with respect to such amount and (y) the Company shall immediately return this Note, or issue a new Note to the Holder representing such amount.

(10) RIGHTS. Except as otherwise provided for herein, the Holder shall have no rights as a stockholder of the Company as a result of being a holder of this Note, except as required by law, including, but not limited to, the General Corporation Law of the State of Delaware, and as expressly provided in this Note.

(11) COVENANTS.

(a) Rank. All payments due under this Note shall rank *pari passu* with all Other Notes.

(12) REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred in compliance with the Securities Purchase Agreement, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note, registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii), following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note. The Holder is not acquiring this Note for the purpose of selling or transferring this Note or the shares of Common Stock issuable on conversion of this Note (or granting, issuing or transferring any interest in or option over this Note or such shares of Common Stock (including CDIs over such shares of Common Stock)) into Australia, and the Holder will not sell this Note or any shares of Common Stock issuable on conversion of this Note into Australia, within 12 months following the date of issue of this Note or shares of common stock issuable on conversion of this Note (as applicable) by the Company unless such resale offer is exempt from the requirement to issue a disclosure document under section 708 or 708A of the *Corporations Act 2001* (Cth).

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to the Company, in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the outstanding Principal.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding, (iii) shall have an issuance date, as indicated on the face of such new Note which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest of this Note from the Issuance Date.

(13) REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF.

(a) The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue monetary damages for any failure by the Company to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

(b) Notwithstanding the foregoing, the right of the Holder to receive payment of Principal, premium, if any, and Interest on the Note, on or after the respective due dates set forth herein (including in connection with a Change of Control), or convert any portion of the Note into shares of Common Stock on the terms and conditions set forth herein, or to bring suit for the enforcement of any such right to payment or conversion, shall not be impaired or affected without the consent of the Holder.

(14) PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, reasonable attorneys' fees and disbursements.

(15) CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

(16) FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

(17) DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Closing Sale Price, the Closing Sale Price, the Redemption Price or the arithmetic calculation of the Conversion Rate or the Redemption Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within one (1) Business Day of receipt, or deemed receipt, of the Conversion Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Redemption Price or the Conversion Rate, as applicable, within one (1) Business Day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company and the Holder shall, within one (1) Business Day thereafter submit via facsimile the disputed determination of the Closing Sale Price, the Closing Sale Price, to an independent, reputable investment bank or accounting firm selected by the Holder and approved by the Company, such approval not to be unreasonably withheld. The Company, at the Company's expense, shall cause the investment bank or the accounting firm, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accounting firm's determination or calculation, as the case may be, shall be binding upon all parties absent manifest error.

(18) NOTICES; PAYMENTS.

(a) Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 10.3 of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) within one (1) Business Day upon any adjustment of the Conversion Rate Floor Price, setting forth in

reasonable detail, and certifying, the calculation of such adjustment and (ii) at least ten (10) days prior to the date on which Holdings closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to holders of Common Stock or (C) for determining rights to vote with respect to any Change of Control, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

(b) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, such payment shall be made in lawful money of the United States of America by a check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing (which address shall initially be as set forth in Section 10.3 of the Securities Purchase Agreement); provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day.

(c) Withholding Taxes. All payments made by the Company hereunder shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes imposed on the recipient). If any such withholding is so required, the Company shall make the withholding, pay the amount withheld to the appropriate authority before penalties attach thereto or interest accrues thereon and pay to the recipient such additional amount as may be necessary to ensure that the net amount actually received by the recipient free and clear of such taxes (including taxes on such additional amount) is equal to the amount that the recipient would have received had such withholding not been made. If the recipient is required to pay any such taxes, penalties or interest, the Company shall reimburse the recipient for that payment on demand. If the Company pays any such taxes, penalties or interest, it shall deliver official tax receipts or other evidence of payment to the recipient on whose account such withholding was made on or before the thirtieth day after payment. The Holder agrees to provide, promptly following the Company's request therefore, such forms or certifications as it is legally able to provide to establish an exemption from, or a reduction in, any withholding taxes that might otherwise apply.

(19) CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

(20) WAIVER OF NOTICE. To the extent permitted by law, the Company hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Securities Purchase Agreement.

(21) GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York.

(22) CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

(a) “ **Affiliate** ” has the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(b) “ **Bankruptcy Code** ” means Chapter 11 of Title 11 of the United States Code, as amended from time to time and any successor statute and all rules and regulations promulgated thereunder.

(c) “ **Bankruptcy Law** ” has the meaning assigned to it in Section 4(a)(iv) hereof.

(d) “ **Beneficial Ownership** ” has the meaning set forth in Rule 13d-3 under the Exchange Act.

(e) “ **Bloomberg** ” means Bloomberg Financial Markets.

(f) “ **Business Day** ” means any day other than Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

(g) “ **Calendar Quarter** ” means each of the period beginning on and including July 1 and ending on and including September 30; and the period beginning on and including October 1 and ending on and including December 31; the period beginning on and including January 1 and ending on and including March 31; the period beginning on and including April 1 and ending on and including June 30.

(h) “ **CDIs** ” means CHESSE Depository Interests representing shares of Common Stock (in the ratio of one (1) share of Common Stock to six (6) CHESSE Depository Interests).

(i) “ **Company** ” has the meaning assigned to it in the introduction hereof.

(j) “ **Convertible Securities** ” means any evidences of Indebtedness, capital stock (other than shares of Common Stock) or other securities directly or indirectly convertible into or exchangeable for shares of Common Stock.

(k) “ **Change of Control** ” means: (1) Holdings shall, directly or indirectly, in one or more related transactions consolidate or merge with or into (whether or not the Company is the surviving corporation) a Person or Persons (other than an Affiliate of the Company); provided, however, that the term “Change of Control” shall not include any consolidation or merger of Holdings where the stockholders of Holdings immediately prior to the consolidation or merger would be, immediately after the consolidation or merger, the Beneficial Owner, directly or indirectly, of shares representing in the

aggregate 50% or more of the combined voting power of the securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate the parent entity, if any), or (2) that Holdings shall, directly or indirectly, in one or more related transactions sell, assign, transfer, license, convey or otherwise dispose of all or substantially all of the assets of Holdings to a Person or Persons (other than an Affiliate of the Company), or (3) a Person or Persons acting in concert make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) any Person (other than the initial Holder or its Affiliates) or “group” of related Persons, is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the Common Stock of Holdings, or (5) the Company shall, directly or indirectly, in one or more related transactions consummate a securities purchase agreement or business combination (including, without limitation, a reorganization, recapitalization, spin-off) with a Person or Persons, in one or more related transactions, whereby such Person(s) acquire Beneficial Ownership (without regard to any conversion limitations or delays on the securities convertible into Common Stock, if any) of more than 50% of the number of shares of Common Stock issued and outstanding, or (6) reorganize, recapitalize or reclassify its Common Stock (other than a stock split, reverse stock split or other transaction contemplated by Section 7(b)), or (7) a majority of the Board of Directors of Holdings are not Continuing Directors, or (8) the Company shall sell or, other than to a customer in the ordinary course of business, grant an exclusive license to the Collateral to another Person.

(l) “ **Change of Control Notice** ” has the meaning assigned to it in Section 5 hereof.

(m) “ **Change of Control Redemption Price** ” has the meaning assigned to it in Section 5 hereof.

(n) “ **Closing Sale Price** ” means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security, as reported by Bloomberg (whether or not such security is trading on an Eligible Market at such time), or, if the market on which the security is trading begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York Time, as reported by Bloomberg, or, if the market on which the security is trading is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the “pink sheets” by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Sale Price cannot be calculated for a security on a particular

date on any of the foregoing bases, the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 17. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(o) “ **Collateral** ” has the meaning given to such term in the Security Agreement.

(p) “ **Commission** ” means the United States Securities and Exchange Commission.

(q) “ **Common Stock** ” has the meaning assigned to it in Section 3 hereof.

(r) “ **Common Stock Buy-In** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(s) “ **Common Stock Buy-In Price** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(t) “ **Contingent Obligation** ” means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(u) “ **Continuing Director** ” means, as of any date of determination, any member of the Board of Directors of Holdings who: (1) was a member of such Board of Directors on the Issuance Date or (2) was nominated for election or elected to the Board of Directors with the approval of a majority of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election.

(v) “ **Conversion Amount** ” has the meaning assigned to it in Section 3(b)(i) hereof.

(w) “ **Conversion Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(x) “ **Conversion Failure** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(y) “ **Conversion Notice** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(z) “ **Conversion Rate** ” has the meaning assigned to it in Section 3(b)(ii) hereof.

(aa) “ **Custodian** ” has the meaning assigned to it in Section 4(a)(iv) hereof.

(bb) “ **Discounted Sale Price** ” has the meaning assigned to it in Section 3(b)(ii) hereof.

(cc) “ **Distributed Property** ” has the meaning assigned to it in Section 7(a) hereof.

(dd) “ **DWAC** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(ee) “ **Eligible Market** ” means a national security exchange that has registered with the Commission under Section 6 of the Securities Exchange Act of 1934.

(ff) “ **Event of Default** ” has the meaning assigned to it in Section 4(a) hereof.

(gg) “ **Event of Default Notice** ” has the meaning assigned to it in Section 4(b) hereof.

(hh) “ **Event of Default Redemption Notice** ” has the meaning assigned to it in Section 4(b) hereof.

(ii) “ **Event of Default Redemption Price** ” means a price equal to 100% of the aggregate Principal amount thereof, plus accrued and unpaid Interest, if any, to but excluding the Redemption Date.

(jj) “ **Exchange Act** ” has means the Securities Exchange Act of 1934, as amended.

(kk) “ **GAAP** ” means U.S. generally accepted accounting principles consistently applied.

(ll) “ **Holder** ” has the meaning assigned to it in the introduction hereof.

(mm) “ **Indebtedness** ” means (1) all indebtedness for borrowed money, (2) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, “capital leases” in accordance with GAAP) (other than trade payables entered into in the ordinary course of business), (3) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (4) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (5) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (6) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (7) all indebtedness referred to in clauses (1) through (6) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any

Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (8) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (1) through (7) above.

(nn) “ **Interest** ” has the meaning assigned to it in Section 2(a) hereof.

(oo) “ **Interest Date** ” has the meaning assigned to it in Section 2(a) hereof. (pp) “ **Interest Rate** ” means six percent (6.0%) per annum.

(qq) “ **Issuance Date** ” means October 24, 2016.

(rr) “ **License Agreements** ” means (i) the License Agreement, dated as of February 5, 2016, by and among Amgen Inc., Holdings and Solutions and (ii) the Unilife Product License Agreement, dated as of February 22, 2016, by and among Amgen Inc., Holdings and Solutions.

(ss) “ **Lien** ” means any claim, mortgage, deed of trust, levy, charge, license, lien, pledge, charge, security interest or other similar encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries.

(tt) “ **Maturity Date** ” has the meaning assigned to it in Section 1 hereof.

(uu) “ **Note** ” has the meaning assigned to it in the introduction hereof.

(vv) “ **Note Delivery Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(ww) “ **Obligations** ” shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to the Holder of every kind and description, now existing or hereafter arising under or pursuant to the terms of this Note and the other Transaction Documents, including, all interest, fees, charges, expenses, attorneys’ fees and costs and accountants’ fees and costs chargeable to and payable by the Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under the Bankruptcy Code (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

(xx) “ **Options** ” means rights, options or warrants to subscribe for, purchase or otherwise acquire shares of Common Stock or Convertible Securities.

(yy) “ **OrbiMed Credit Agreement** ” means that certain Credit Agreement, dated as of March 12, 2014, by and among Unilife Medical Solutions, Inc., as borrower, and ROS Acquisition Offshore LP, as lender (as the same may be amended, restated, supplemented or modified from time to time).

(zz) “ **Other Notes** ” has the meaning assigned to it in the introduction hereof.

(aaa) “ **Permitted Lien** ” has the meaning ascribed to such term in the Security Agreement.

(bbb) “ **Person** ” means and includes all natural persons, corporations, business trusts, associations, companies, partnerships, joint ventures, limited liability companies and other entities and governments and agencies and political subdivisions.

(ccc) “ **PIK Interest** ” has the meaning assigned to it in Section 2(a) hereof.

(ddd) “ **Principal** ” has the meaning assigned to it in the introduction hereof.

(eee) “ **Purchase Rights** ” has the meaning assigned to it in Section 6 hereof.

(fff) “ **Redemption Price** ” means either an Event of Default Redemption Price or Change of Control Redemption Price.

(ggg) “ **Register** ” has the meaning assigned to it in Section 24 hereof.

(hhh) “ **Security Agreement** ” means that certain security agreement dated as of the Initial Closing Date by and among Unilife Corporation and Amgen Inc., pursuant to which the Notes were secured.

(iii) “ **Securities Purchase Agreement** ” means that certain securities purchase agreement dated as of the Issuance Date by and among Unilife Corporation and Amgen Inc., pursuant to which the Company issued the Notes.

(jjj) “ **Share Delivery Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(kkk) “ **Solutions** ” has the meaning assigned to it in the introduction hereof.

(lll) “ **Trading Day** ” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York Time).

(mmm) “ **Twenty Day VWAP** ” means, for any security as of any date, the volume weighted average price of such security during the twenty (20) Trading Days preceding such date (whether or not such security is trading on an Eligible Market at such time). If the Twenty Day VWAP cannot be calculated for a security on a particular date on the foregoing basis, the Twenty Day VWAP of such security on such date shall be the fair

market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 17. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(23) SECURITY. The Notes shall be secured by and to the extent provided in the Security Agreement.

(24) PERMITTED TRANSFERS. If this Note is transferred pursuant to the terms of the Securities Purchase Agreement, the Company and any Holder shall comply with the terms of Section 10.6(b) of the Securities Purchase Agreement.

(25) REGISTERED OBLIGATION. The Company shall establish and maintain a record of ownership (the “**Register**”) in which it will register the interest of the initial Holder and of each subsequent assignee in this Note, and the right to receive any payments of principal and interest or any other payments hereunder, and any assignment of any such interest. Notwithstanding anything herein to the contrary, this Note is intended to be treated as a registered obligation for federal income tax purposes and the right, title, and interest of the Holder and its assignees in and to payments under this Note shall be transferable only upon notation of such transfer in the Register. This Section shall be construed so that the Note is at all times maintained in “registered form” within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code and any related regulations (or any successor provisions of the Code or such regulations).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

UNILIFE CORPORATION

By: _____
Name: _____
Title: _____

UNILIFE MEDICAL SOLUTIONS, INC.

By: _____
Name: _____
Title: _____

NOTE

UNILIFE CORPORATION
CONVERSION NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO CONVERT THIS NOTE
INTO COMMON STOCK

Reference is made to the Senior Secured Convertible Note due 2023 (the “**Note**”) issued to the undersigned by Unilife Corporation (“**Holdings**”). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, par value \$0.01 per share (the “**Common Stock**”), of Holdings as of the date specified below. The undersigned hereby makes the representations and warranties set forth in Section 5 of the Securities Purchase Agreement.

Date of Conversion: _____

Aggregate Conversion Amount to be converted: _____

Please confirm the following information:

Conversion Rate: _____

Number of shares of Common Stock to be issued: _____

Common Stock Beneficially Owned: _____

Please issue the Common Stock into which the Note is being converted in the following name and to the following address:

Issue to: _____

Facsimile Number: _____

Authorization: _____

By: _____

Title: _____

Dated: _____

Account Number: _____

(if electronic book entry transfer)

Transaction Code Number: _____

(if electronic book entry transfer)

ACKNOWLEDGMENT

Holdings hereby acknowledges this Conversion Notice and hereby directs _____, Holdings' transfer agent (the "**Transfer Agent**"), to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from Holdings and acknowledged and agreed to by Transfer Agent.

UNILIFE CORPORATION

By: _____
Name: _____
Title: _____

DISCLOSURE SCHEDULES

to the

LETTER AGREEMENT

dated as of October 24, 2016

by and among

UNILIFE CORPORATION,

UNILIFE MEDICAL

SOLUTIONS, INC. and

AMGEN INC.

These Disclosure Schedules (these “**Disclosure Schedules**”) are being delivered pursuant to the Letter Agreement (the “**Letter Agreement**”), dated as of October 24, 2016, by and among Amgen Inc., a Delaware corporation (“**Purchaser**”), Unilife Corporation, a Delaware corporation (the “**Company**”), and Unilife Medical Solutions, Inc. a Delaware corporation (“**Unilife Medical**”), and together with the Company, the “**Company Parties**”). Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

As referenced in the Letter Agreement, the Purchaser and the Company Parties are also parties to a Securities Purchase Agreement (the “**Purchase Agreement**”), dated as of February 22, 2016. These Disclosure Schedules contain numbered sections corresponding to sections in the Purchase Agreement. The mere inclusion of an item in these Disclosure Schedules as an exception to a representation or warranty shall not be deemed an admission by any party that such item represents a material exception, fact, event or circumstance, or that such information constitutes or would reasonably be expected to constitute a Material Adverse Effect. Any disclosures made in these Disclosure Schedules with respect to a section or subsection of the Purchase Agreement shall be deemed to qualify such sections or subsections specifically referenced or cross-referenced and any other section or subsection in these Disclosure Schedules to the extent that it is reasonably apparent on its face that such disclosure also pertains to such other section or subsection. No disclosure in these Disclosure Schedules relating to any possible breach or violation of any agreement, law or regulation shall be construed as an admission or indication that any such breach or violation exists or has actually occurred, and no disclosure in these Disclosure Schedules constitutes an admission of any liability or obligation of any party to any third party nor an admission against any party’s interests to any third party. Moreover, the representations and warranties contained in the Purchase Agreement and the Letter Agreement and the items contained in these Disclosure Schedules are solely for the purpose of allocating contractual risk between the parties and not as a means of establishing facts. No third party may rely on these Disclosure Schedules.

The descriptive headings in these Disclosure Schedules are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning, construction or interpretation of these Disclosure Schedules, the Letter Agreement or the Purchase Agreement.

Section 5.1(b)
Capitalization: Outstanding Company Stock Options and Company Warrants,
Company

- []*
 - []*
 - There are 93,866 shares of Common Stock reserved for employee outstanding stock options.
 - There are 2,175,535 shares of Common Stock reserved for issuance to Lincoln Park Capital Fund, LLC pursuant to the Purchase Agreement, dated July 29, 2015.
 - There are 90,000 shares of Common stock reserved for issuance to Lincoln Park Capital Fund, LLC pursuant to the Warrant, dated November 9, 2015.
 - There are 986,116 shares of Common stock reserved for issuance to Cantor Fitzgerald & Co. pursuant to the Controlled Equity Offering Sales Agreement, dated July 29, 2015.
 - There are 1,673,981 shares of Common stock reserved for issuance to Royalty Opportunities S.A.R.L. pursuant to the Warrant, dated February 22, 2016.
 - The Company intends to seek stockholder approval for an amendment to the Company's 2009 Amended and Restated Stock Incentive Plan to increase the number of securities available for issuance. Assuming such approval is obtained and the Company's Board of Directors also approves, the Company intends to issue \$146,500 in equity to certain new employees, which issuances have been conditionally promised to such new employees, and to make additional equity grants to certain existing employees, executives, and directors.
-

Section 5.4

Consents

- The Letter Agreement requires the consent of OrbiMed.
 - In connection with the transactions contemplated by the Purchase Agreement, the Company is required to make applicable state and federal securities law filings and applicable filings with The NASDAQ Stock Market LLC (“Nasdaq”) and the ASX.
 - Notification and waiting requirements under the Hart-Scott-Rodino Antitrust
 - Improvements Act of 1976, as amended, as applicable.
-

Section 5.7
No Conflicts

- See Section 5.4 of these Disclosure Schedules.
-

Section 5.8
Right of First Refusal; Stockholders Agreement; Voting Rights

- OrbiMed has been granted registration rights pursuant to the OrbiMed Warrant.
-

Section 5.10
Financial Statements

- On October 24, 2016, the Company concurrently filed with the SEC amendments to the Company's (i) Annual Report on Form 10-K for the year ended June 30, 2015, (ii) Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, and (iii) Quarterly Report on Form 10-Q for the quarter ended December 31, 2015. These amendments were made to correct immaterial errors in the previously reported financial statements and to disclose certain material weaknesses in the Company's internal control over financial reporting and disclosure controls and procedures.
 - Financial statements required to be lodged with the ASX and subsequently filed with the SEC were not prepared, and were not required to be prepared in, accordance with GAAP.
-

Section 5.12
Absence of Litigation

- Ms. R. Resser filed an Administrative Claim with the Pennsylvania Human Relations Commission.
 - As previously disclosed in writing to Purchaser on October 22, 2016, claims or potential claims against the Company have been asserted in relation to matters arising out of the Company's internal investigation announced on May 8, 2016.
-

Section 5.15
Compliance with Laws

- From time to time, the Company has not timely complied with all continuous disclosure obligations under the Australian Securities Exchange (ASX) Listing Rules. Except as set forth in Section 5.16 to these Disclosure Schedules, the associated disclosures have been timely filed under applicable Commission and Trading Market rules.
 - See Section 5.16 of these Disclosure Schedules.
 - The Company did not timely file the Company's audited annual accounts under ASX Listing Rule 4.5.2 and the Company's CDIs are suspended from trading on ASX until the Company files its Annual Report on Form 10-K for the fiscal year ended June 30, 2016 with ASX.
 - In connection with (i) the findings of the Company's investigation into violations of the Company's policies and procedures and possible violations of law and regulation by the Company's former Chief Executive Officer, Alan Shortall, and its former Chairman, Jim Bosnjak, and (ii) the material weaknesses in the Company's internal control over financial reporting and disclosure controls and procedures disclosed in the Required Filings, regulatory authorities may determine that certain applicable laws, statutes, ordinances, rules or regulations applicable to the conduct of the Company's business were violated.
-

Section 5.16
Securities and Exchange Act Requirements

- See Form 8-K filed by the Company with the Commission on December 2, 2015 concerning the Company's receipt of notice from the Listing Qualifications Department of Nasdaq regarding a violation of its minimum bid requirements.
 - See Form 12b-25 filed by the Company with the Commission on February 10, 2016 regarding the Company's late filing of its Quarterly Report on Form 10-Q for the period ended December 31, 2015. Such Form 10-Q was also filed with the Commission on February 10, 2015.
 - See Form 12b-25 filed by the Company with the Commission on May 11, 2016 regarding the Company's late filing of its Quarterly Report on Form 10-Q for the period ended March 31, 2016 (the "March 2016 10-Q"). The Company did not timely file the March 2016 10-Q with the SEC.
 - See Form 12b-25 filed by the Company with the Commission on September 15, 2016 regarding the Company's late filing of the Company's Annual Report on Form 10-K for the year ended June 30, 2016 (the "2016 10-K"). Such Form 12b-25 was not timely filed with the SEC. The Company did not timely file the 2016 10-K with the SEC.
 - On October 24, 2016, the Company concurrently filed (i) the March 2016 10-Q; (ii) the 2016 10-K; (iii) an amendment to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2015; (iv) an amendment to the Company's Form 10-Q for the quarter ended December 31, 2015; and (v) an amendment to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015. These amendments were made to correct immaterial errors in the previously reported financial statements and to disclose certain material weaknesses in the Company's internal control over financial reporting and disclosure controls and procedures.
-

Section 5.18
Intellectual Property

- Except as set forth in the Intercreditor Agreement between ROS Acquisition Offshore LP (“ROS”), Royalty Opportunities S.A.R.L (together with ROS and their successors and assigns “OrbiMed”), and Amgen, OrbiMed holds a security interest in all of the Company Intellectual Property pursuant to the Open-End Commercial Mortgage and Security Agreement, dated as of March 12, 2014, by Unilife Cross Farm LLC in favor of OrbiMed, for itself and as agent for Royalty Opportunities S.A R.L.
 - Hikma Pharmaceuticals LLC (“Hikma”) holds a security interest in the license rights granted under the Binding License, Development and Supply Agreement dated November 18, 2013, and Supply and Quality Agreement dated September 15, 2014, between Hikma and Unilife Medical to the Unifill®, Unifill Nexus™ and Unifill Allure™ syringes.
 - The Company has entered into written confidentiality and nondisclosure agreements solely with those Persons as the Company has deemed necessary in order to protect the confidentiality of the trade secrets, proprietary information, confidential information and sensitive data that is owned, controlled or otherwise held by the Company.
 - On March 10, 2016, the Company received a letter from a third party claiming that the Company’s Rita Auto-Injector infringes on at least one patent owned by such third party and seeking a royalty for use of such technology. The Company responded in writing to such letter stating that the Company does not anticipate using such technology commercially prior to the expiration of the third party’s patents and the Company considers the matter closed.
 - To date, the Company has not received an assignment from one former employee of such former employee’s rights to certain technology related to the Company’s Ocu-Ject product. However, the Company received an earlier assignment from such former employee of such former employee’s rights to certain other technology related to the Company’s Ocu-Ject product and the patents that the employee did assign read on the unassigned technology.
-

Section 7.1(c)(iv)
No Material Adverse Effect

- See public filings made prior to the date hereof.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [] and an asterisk*, have been separately filed with the Commission.

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH SUCH SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

UNILIFE CORPORATION

6% SENIOR SECURED CONVERTIBLE NOTE DUE 2023

Issuance Date: October 24, 2016

Principal: U.S. \$ **10,600,000**

FOR VALUE RECEIVED, Unilife Corporation, a Delaware corporation (“**Holdings**”), and Unilife Medical Solutions, Inc., a Delaware corporation (“**Solutions**”), and together with Holdings and any other entity that may become a party hereto as provided herein, each a “**Company**” and, collectively the “**Company**”), hereby promises to pay to Amgen Inc. or its registered assigns (“**Amgen**” or “**Holder**”) the amount set out above opposite the caption “**Principal**” (as such amount may be increased or reduced from time to time pursuant to the terms hereof, whether through the payment of PIK Interest (as defined below) or through redemption, conversion or otherwise, the “**Principal**”) when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case, in accordance with the terms hereof) and to pay Interest (as defined below) on the outstanding Principal at the rates, in the manner and at the times set forth herein. This Senior Secured Convertible Note Due 2023 (including all Senior Secured Convertible Notes Due 2023 issued in exchange, transfer or replacement hereof, this “**Note**”) is one of several Senior Secured Convertible Notes Due 2023 that have and may be issued pursuant to that certain Securities Purchase Agreement, dated February 22, 2016 (collectively, the “**Notes**” and such other Senior Secured Convertible Notes Due 2023, the “**Other Notes**”). The initial Note in the initial aggregate principal amount of \$30,000,000 was issued under the Securities Purchase Agreement on February 22, 2016. Certain capitalized terms used herein are defined in Section 22. Capitalized terms used herein but not defined shall have the meaning given to such terms in the Securities Purchase Agreement. For the avoidance of doubt, unless otherwise expressly set forth herein, the Companies shall be jointly and severally responsible for the obligations of the “**Company**” or “**Companies**” set forth herein.

(1) PAYMENTS and PREPAYMENTS. Except as otherwise expressly set forth herein, the Note will be repaid through reductions in principal and/or interest in amounts equal to (i) []* discounted pricing on purchases by Amgen or its Affiliates of the Company’s products

purchased pursuant to one or more of the License Agreements, the Development and Supply Agreement (as defined in the License Agreements), or otherwise, (ii) credits taken by Amgen or its Affiliates against development and customization fees for devices, if applicable, pursuant to one or more of the License Agreements, the Development and Supply Agreement, or otherwise and (iii) credits against per-unit royalties otherwise payable to the Company pursuant to one or more of the License Agreements, the Development and Supply Agreement, or otherwise for the manufacture and sale of the Company's products. To the extent that more than one Note is outstanding, repayment shall be applied to the Notes in the order of their issuance. Within 10 days after the Company has closed its financial books and records with respect to a month, the Company shall provide the Holder with a monthly statement with respect to such month indicating the calculation of any reduction in Principal or Interest pursuant to the preceding sentence and the Principal and Interest outstanding as of the close of such month after giving effect to any such reduction. On the Maturity Date and upon the surrender of this Note, the Company shall pay to the Holder in cash, an amount equal to any remaining outstanding Principal (if any) and accrued and unpaid Interest thereon. The "**Maturity Date**" shall be February 22, 2023.

The Company may prepay any portion of the outstanding Principal or any accrued and unpaid Interest on the terms and conditions set forth below. To prepay Holder any amount of outstanding Principal or accrued and unpaid Interest (a "**Prepayment Amount**") on a given date (a "**Prepayment Date**"), the Company shall transmit by facsimile (or otherwise deliver) to Holder, for receipt on or prior to 5:00 p.m., Eastern Time, on the twentieth (20th) Business Day prior to the proposed Prepayment Date, a notice of prepayment (a "**Prepayment Notice**") specifying the proposed Prepayment Amount and proposed Prepayment Date. If, within the fifteen (15) Business Days following receipt of a Prepayment Notice, Holder delivers to the Company a Conversion Notice, then the Prepayment Amount on the applicable Prepayment Date shall be reduced by the Conversion Amount in such Conversion Notice (and, for the avoidance of doubt, if the Conversion Amount is greater than or equal to the Prepayment Amount, then no prepayment shall occur on the proposed Prepayment Date).

Following any such prepayment, Holder shall surrender this Note to a common carrier for delivery to the Company as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). If this Note is physically surrendered pursuant to the foregoing sentence and the outstanding Principal and accrued and unpaid Interest of this Note is greater than the Prepayment Amount, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder a new Note (in accordance with Section 12(d)). Notwithstanding the foregoing, the Holder and the Company may agree to maintain records showing the portion of Principal and Interest prepaid and the applicable Prepayment Dates or use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon prepayment. In the event of a dispute in connection with a prepayment of this Note, the Company shall prepay to the Holder the portion of the proposed Prepayment Amount not in dispute and resolve such dispute in accordance with Section 17.

(2) INTEREST.

(a) Interest on this Note (“ **Interest** ”) shall commence accruing at the Interest Rate on the Issuance Date and shall be computed on the basis of a 360-day year and twelve 30-day months and the actual number of days elapsed and shall be payable in arrears for each Calendar Quarter on the first day of the succeeding Calendar Quarter during the period beginning on the Issuance Date and ending on, and including, the Maturity Date (each, an “ **Interest Date** ”) with the first Interest Date being April 1, 2017. Interest shall be payable on each Interest Date, to the record holder of this Note on the applicable Interest Date, through the addition of the amount of such Interest to the then outstanding Principal (“ **PIK Interest** ”). Interest that is paid in the form of PIK Interest shall be considered paid or duly provided for, for all purposes under this Note, and shall not be considered overdue.

(b) Accrued and unpaid Interest due on any portion of the Principal that is converted pursuant to Section 3 shall accrue through the Conversion Date and shall be paid on the next Interest Date, unless the entire outstanding Principal amount is being converted, in which case, the accrued and unpaid Interest shall be paid on the corresponding Share Delivery Date.

(3) CONVERSION OF NOTES. This Note shall be convertible into shares of Holdings’ common stock, par value \$0.01 per share (the “**Common Stock**”), on the terms and conditions set forth in this Section 3.

(a) Conversion Right. At any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and non-assessable shares of Common Stock in accordance with Section 3(c), at the Conversion Rate (as defined below). Holdings shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, Holdings shall round such fraction of a share of Common Stock up to the nearest whole share. Holdings shall pay any and all transfer, stamp and similar taxes that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

(b) Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a) shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Rate (as defined below).

- (i) “ **Conversion Amount** ” means the portion of the Principal to be converted, redeemed or otherwise with respect to which this determination is being made (which shall include PIK Interest, if applicable under Section 2(b)).
- (ii) “ **Conversion Rate** ” means as of any Conversion Date (as defined below) or other date of determination during the period beginning on the Issuance Date and ending on and including the Maturity

Date, 90% of the Twenty Day VWAP of the Common Stock on the Trading Day immediately prior to the applicable Conversion Date (the “ **Discounted Sale Price** ”); provided, however, that if the Discounted Sale Price is an amount less than the greater of (x) \$12.50 per share, (y) the Closing Sale Price on the Trading Day immediately preceding the Issuance Date, and (z) the book value per share of Common Stock (as calculated in accordance with the rules of the principal securities exchange or trading market of the Common Stock) on the Trading Day immediately preceding the Issuance Date, then the Conversion Rate shall be equal to the amount that is the greater of (x),(y) and (z) (the floor price set forth in the foregoing proviso, “ **Conversion Rate Floor Price** ”).

- (iii) Notwithstanding any other provision, at no time may the Company issue shares of Common Stock to Noteholder which, when aggregated with all other shares of Common Stock then deemed Beneficially Owned by Noteholder, would result in Noteholder becoming the Beneficial Owner of more than 19.99% of all Common Stock outstanding immediately after giving effect to such issuance.

(c) Mechanics of Conversion.

- (i) Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a “ **Conversion Date** ”), the Holder shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 5:00 p.m., Eastern Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the “ **Conversion Notice** ”) to Holdings and (B) if required by Section 3(c)(iii), surrender this Note to a common carrier for delivery to Holdings as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). On or before the first (1st) Business Day following the date of receipt of a Conversion Notice, Holdings shall transmit by facsimile or email a confirmation of receipt of such Conversion Notice to the Holder and the Transfer Agent. On or before the third (3rd) Business Day following the date of receipt of a Conversion Notice (the “ **Share Delivery Date** ”), Holdings shall deliver the shares of Common Stock to which the Holder shall be entitled by Deposit/Withdrawal at Custodian (“ **DWAC** ”) or other available means of electronic delivery through the Depository Trust Company. If this Note is physically surrendered for conversion as required by Section 3(c)(iii) and the outstanding Principal of this Note is greater than the portion of the Conversion Amount constituting principal, then Holdings at its own expense shall as soon as practicable and in any event either (i) mail to the holder

within three (3) Business Days after receipt of this Note a new Note (in accordance with Section 12(d)) representing the outstanding Principal not converted, or (ii) deliver to the Holder within five (5) Business Days after receipt of this Note a new Note (in accordance with Section 12(d)) representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date to the extent permitted by applicable law.

- (ii) Holdings' Failure to Timely Convert. If Holdings shall fail to deliver via DWAC or issue a certificate to the Holder for the number of shares of Common Stock to which the Holder is entitled upon conversion of any Conversion Amount on or prior to the date which is three (3) Business Days after the Conversion Date (a "**Conversion Failure**"), then (A) the Company shall pay damages in cash to the Holder for each date of such Conversion Failure in an amount equal to 1.5% of the product of (I) the sum of the number of shares of Common Stock not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled, and (II) the Closing Sale Price of the Common Stock on the Share Delivery Date and (B) the Holder, upon written notice to Holdings, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, any portion of this Note that has not been converted pursuant to such Conversion Notice; provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 3(c) (ii) or otherwise. At the Holder's option in lieu of the foregoing, if within three (3) Business Days after Holdings' receipt of the facsimile copy of a Conversion Notice Holdings shall fail to issue and deliver a certificate or shares via the DWAC system to the Holder for the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by the Holder of Common Stock issuable upon such conversion that the Holder anticipated receiving from Holdings (a "**Common Stock Buy-In**"), then Holdings shall, within three (3) Business Days after the Holder's request (which shall include written evidence of a Common Stock Buy-In) and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Common Stock Buy-In Price**"), at which point Holdings' obligation to deliver such

certificate (and to issue such Common Stock) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Common Stock Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Conversion Rate on the Conversion Date.

- (iii) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to Holdings unless (A) the full Principal represented by this Note is being converted, together with all accrued and unpaid Interest thereon, or (B) the Holder has provided Holdings with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and Holdings shall maintain records showing the portion of Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and Holdings, so as not to require physical surrender of this Note upon conversion.
- (iv) Disputes. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, Holdings shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 17.
- (v) Sale or Transfer into Australia. The purpose of the issue and sale of this Note is not to facilitate the subsequent sale or transfer of this Note or shares of Common Stock issuable to the Holder on conversion of this Note (or grant, issue or transfer any interest in or option over such shares of Common Stock (including CDIs over such shares of Common Stock) into Australia within 12 months following the date of issue of this Note or shares of Common Stock issuable on conversion of this Note (as applicable) by the Company.

(d) Hart-Scott-Rodino. Notwithstanding anything to the contrary contained in this Note, in the event that any conversion of this Note is subject to the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), the conversion by the Holder of this Note and the issuance by the Company of shares of Common Stock required by such conversion shall be subject to the expiration or earlier termination of the waiting period under the HSR Act.

(4) EVENTS OF DEFAULT; RIGHTS UPON EVENT OF DEFAULT.

(a) Events of Default. Each of the following events (so long as it is continuing) shall constitute an “ **Event of Default** ”:

- (i) Holdings’ (A) failure to cure a Conversion Failure with respect to any of the Notes by delivery of the required number of shares of Common Stock within ten (10) Business Days after the applicable Conversion Date or (B) written notice to the Holder, or by way of public announcement by Holdings, at any time, of its intention not to comply with a request for conversion of any Notes into shares of Common Stock that is tendered for conversion in compliance with the provisions of the Notes and applicable securities laws;
- (ii) the Company’s failure to pay to the Holder any amount of Principal, premium (if any), Interest, or other amounts when and as due under this Note (including, without limitation, the Company’s failure to pay any redemption payments hereunder), any other Transaction Document or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby to which such Holder is a party, provided, that such failure shall constitute an Event of Default only if such failure continues for a period of at least five (5) Business Days after the Company’s receipt of written notice from the Holder of the failure to pay;
- (iii) any acceleration prior to maturity of (A) any Indebtedness of the Company arising under the OrbiMed Credit Agreement or (B) any Indebtedness of the Company, other than the Notes or arising under the OrbiMed Credit Agreement, in an aggregate principal amount in excess of \$1,000,000;
- (iv) the Company, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, “ **Bankruptcy Law** ”), (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official (a “ **Custodian** ”), (D) makes a general assignment for the benefit of its creditors, or (E) admits in writing, after the date on which this Note is originally issued to the initial Holder, that it is generally unable to pay its debts as they become due;
- (v) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company or (C) orders the liquidation of the Company;

- (vi) a final judgment or judgments for the payment of money aggregating in excess of \$1,000,000 are rendered against the Company and which judgments are not, within sixty (60) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within sixty (60) days after the expiration of such stay; provided, however, that any judgment which is covered by insurance or an indemnity from a creditworthy party shall not be included in calculating the \$1,000,000 amount set forth above so long as the Company provides the Holder with a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity;
- (vii) any representation or warranty made by the Company in any Transaction Document or any License Agreement shall prove to be materially false or misleading as of the date made or deemed made;
- (viii) the Company shall materially breach any covenant or other term or condition of any Transaction Document or License Agreement and such material breach continues for a period of at least ten (10) consecutive Business Days (or, if the applicable cure period within such Transaction Document or License Agreement, as applicable, is longer, within such cure period) after written notice thereof is received by the Company from Amgen;
- (ix) any material provision of any Transaction Document or License Agreement ceases to be of full force and effect other than by its terms, or the Company contests in writing (or supports any other person in contesting) the validity or enforceability of any provision of any Transaction Document or License Agreement or the validity or priority of a Lien as required by the Collateral Documents on a material portion of the Collateral;
- (x) the execution or effectiveness of (i) any waiver or termination of, or amendment to, any amendment contemplated in Section 2 of either of the OrbiMed Amendments (as such term is defined in the Securities Purchase Agreement), or (ii) any other agreement, amendment or waiver that alters or affects or may alter or affect any amendment contemplated in Section 2 of either of the OrbiMed Amendments (as such term is defined in the Securities Purchase Agreement), in each case, without Holder's prior written consent;
- (xi) (A) any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected

lien (other than by the action or failure to take action by the Holder), with the priority required by the Collateral Documents, on, and security interest in, any material portion of the Collateral purported to be covered thereby, subject to Permitted Liens or (B) any Lien created or purported to be created by the Collateral Documents shall cease to have the same Lien priority established or purported to be established by the Intercreditor Agreement (other than by the action or failure to take action by the Holder); or

- (xii) the incurrence of any lien on the Collateral that is not a Permitted Lien if such Lien is not discharged within five (5) consecutive Business Days.

(b) Right of Holder upon Default. Upon the occurrence of an Event of Default with respect to this Note, the Company shall, within one (1) Business Day of the date on which the Company becomes aware of or reasonably should have become aware of such Event of Default, deliver written notice thereof via facsimile and overnight courier (an “**Event of Default Notice**”) to the Holder. Upon the occurrence of any Event of Default (other than an Event of Default described in Sections 4(a)(iv) and 4(a)(v)) and at any time thereafter during the continuance of such Event of Default, the Holder may, by written notice to the Company (an “**Event of Default Redemption Notice**”), declare all outstanding Obligations payable by the Company hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. Upon the occurrence of any Event of Default described in Sections 4(a)(iv) and 4(a)(v) immediately and without notice, all outstanding Obligations payable by the Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence and during the continuance of any Event of Default, the Holder may exercise any other right, power or remedy granted to it by the Transaction Documents or otherwise permitted to it by law, either by suit in equity or by action at law, or both. If the Holder has submitted an Event of Default Redemption Notice in accordance with this Section 4(b), then the Company shall deliver the Event of Default Redemption Price to the Holder within five (5) Business Days after the delivery of the Event of Default Redemption Notice.

(5) REDEMPTION UPON CHANGE OF CONTROL. No later than ten (10) days prior to the consummation of a Change of Control (or such shorter period prior to the occurrence of a Change of Control that the Company may have knowledge of the occurrence thereof), the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a “**Change of Control Notice**”). On the date of the consummation of the Change of Control (or, if the Company does not have knowledge of the occurrence of a Change of Control at least ten (10) days prior to the occurrence thereof, then within five (5) days after the Company obtains knowledge of the occurrence thereof), the Company shall redeem any outstanding portion of this Note in cash at a price equal to 101% of the aggregate Principal amount thereof, plus accrued

and unpaid Interest, if any, to but excluding the Redemption Date (the “ **Change of Control Redemption Price** ”). Notwithstanding anything to the contrary in this Section 5, until the Change of Control Redemption Price has been tendered for payment in full, the Conversion Amount and any Interest submitted for redemption under this Section 5 may be converted, in whole or in part, by the Holder into Common Stock pursuant to Section 3 and the Change of Control Redemption Price shall no longer be due or payable with respect to any Conversion Amount and Interest so converted into shares of Common Stock.

(6) RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS. If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the “ **Purchase Rights** ”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(7) RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

(a) Pro Rata Distributions. If Holdings, at any time while this Note is outstanding, distributes to all holders of Common Stock (i) evidences of its Indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case “ **Distributed Property** ”), then, unless taken into account pursuant to Section 7(b) below, upon any conversion of this Note that occurs after such record date, the Holder shall be entitled to receive, in addition to the shares of Common Stock otherwise issuable upon such conversion, the Distributed Property that the Holder would have been entitled to receive in respect of such number of shares of Common Stock immediately prior to such record date.

(b) Adjustment of Conversion Rate Floor Price upon Subdivision or Combination of Common Stock. If Holdings at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Rate Floor Price in effect immediately prior to such subdivision will be proportionately decreased. If Holdings at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Rate Floor Price in effect immediately prior to such combination will be proportionately increased.

(8) NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of

the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

(9) REDEMPTIONS. In the event of a redemption of less than all of the Principal of this Note under Section 4(b), the Company shall promptly cause to be issued and delivered to the Holder (after such original Note has been delivered to the Company) a new Note representing the outstanding Principal that has not been redeemed. In the event that the Company does not pay the required redemption amount to the Holder within the time period required under Section 4(b), at any time thereafter and until the Company pays such amount in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the amount of Principal that was submitted for redemption and for which the redemption amount has not been paid. Upon the Company's receipt of such notice, (x) the redemption notice shall be null and void with respect to such amount and (y) the Company shall immediately return this Note, or issue a new Note to the Holder representing such amount.

(10) RIGHTS. Except as otherwise provided for herein, the Holder shall have no rights as a stockholder of the Company as a result of being a holder of this Note, except as required by law, including, but not limited to, the General Corporation Law of the State of Delaware, and as expressly provided in this Note.

(11) COVENANTS.

(a) Rank. All payments due under this Note shall rank *pari passu* with all Other Notes.

(12) REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred in compliance with the Securities Purchase Agreement, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note, registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii), following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note. The Holder is not acquiring this Note for the purpose of selling or transferring this Note or the shares of Common Stock issuable on conversion of this Note (or granting, issuing or transferring any interest in or option over this Note or such shares of Common Stock (including CDIs over such shares of Common Stock)) into Australia, and the Holder will not sell this Note or any shares of Common Stock issuable on conversion of this Note into Australia, within 12 months following the date of issue of this Note or shares of common stock issuable on conversion of this Note (as applicable) by the Company unless such resale offer is exempt from the requirement to issue a disclosure document under section 708 or 708A of the *Corporations Act 2001* (Cth).

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to the Company, in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the outstanding Principal.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding, (iii) shall have an issuance date, as indicated on the face of such new Note which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest of this Note from the Issuance Date.

(13) REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF.

(a) The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue monetary damages for any failure by the Company to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

(b) Notwithstanding the foregoing, the right of the Holder to receive payment of Principal, premium, if any, and Interest on the Note, on or after the respective due dates set forth herein (including in connection with a Change of Control), or convert any portion of the Note into shares of Common Stock on the terms and conditions set forth herein, or to bring suit for the enforcement of any such right to payment or conversion, shall not be impaired or affected without the consent of the Holder.

(14) PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, reasonable attorneys' fees and disbursements.

(15) CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

(16) FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

(17) DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Closing Sale Price, the Closing Sale Price, the Redemption Price or the arithmetic calculation of the Conversion Rate or the Redemption Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within one (1) Business Day of receipt, or deemed receipt, of the Conversion Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Redemption Price or the Conversion Rate, as applicable, within one (1) Business Day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company and the Holder shall, within one (1) Business Day thereafter submit via facsimile the disputed determination of the Closing Sale Price, the Closing Sale Price, to an independent, reputable investment bank or accounting firm selected by the Holder and approved by the Company, such approval not to be unreasonably withheld. The Company, at the Company's expense, shall cause the investment bank or the accounting firm, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accounting firm's determination or calculation, as the case may be, shall be binding upon all parties absent manifest error.

(18) NOTICES; PAYMENTS.

(a) Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 10.3 of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) within one (1) Business Day upon any adjustment of the Conversion Rate Floor Price, setting forth in reasonable

detail, and certifying, the calculation of such adjustment and (ii) at least ten (10) days prior to the date on which Holdings closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to holders of Common Stock or (C) for determining rights to vote with respect to any Change of Control, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

(b) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, such payment shall be made in lawful money of the United States of America by a check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing (which address shall initially be as set forth in Section 10.3 of the Securities Purchase Agreement); provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day.

(c) Withholding Taxes. All payments made by the Company hereunder shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes imposed on the recipient). If any such withholding is so required, the Company shall make the withholding, pay the amount withheld to the appropriate authority before penalties attach thereto or interest accrues thereon and pay to the recipient such additional amount as may be necessary to ensure that the net amount actually received by the recipient free and clear of such taxes (including taxes on such additional amount) is equal to the amount that the recipient would have received had such withholding not been made. If the recipient is required to pay any such taxes, penalties or interest, the Company shall reimburse the recipient for that payment on demand. If the Company pays any such taxes, penalties or interest, it shall deliver official tax receipts or other evidence of payment to the recipient on whose account such withholding was made on or before the thirtieth day after payment. The Holder agrees to provide, promptly following the Company's request therefore, such forms or certifications as it is legally able to provide to establish an exemption from, or a reduction in, any withholding taxes that might otherwise apply.

(19) CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

(20) WAIVER OF NOTICE. To the extent permitted by law, the Company hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Securities Purchase Agreement.

(21) GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York.

(22) CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

(a) “ **Affiliate** ” has the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(b) “ **Bankruptcy Code** ” means Chapter 11 of Title 11 of the United States Code, as amended from time to time and any successor statute and all rules and regulations promulgated thereunder.

(c) “ **Bankruptcy Law** ” has the meaning assigned to it in Section 4(a)(iv) hereof.

(d) “ **Beneficial Ownership** ” has the meaning set forth in Rule 13d-3 under the Exchange Act.

(e) “ **Bloomberg** ” means Bloomberg Financial Markets.

(f) “ **Business Day** ” means any day other than Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

(g) “ **Calendar Quarter** ” means each of the period beginning on and including July 1 and ending on and including September 30; and the period beginning on and including October 1 and ending on and including December 31; the period beginning on and including January 1 and ending on and including March 31; the period beginning on and including April 1 and ending on and including June 30.

(h) “ **CDIs** ” means CHES Depository Interests representing shares of Common Stock (in the ratio of one (1) share of Common Stock to six (6) CHES Depository Interests).

(i) “ **Company** ” has the meaning assigned to it in the introduction hereof.

(j) “ **Convertible Securities** ” means any evidences of Indebtedness, capital stock (other than shares of Common Stock) or other securities directly or indirectly convertible into or exchangeable for shares of Common Stock.

(k) “ **Change of Control** ” means: (1) Holdings shall, directly or indirectly, in one or more related transactions consolidate or merge with or into (whether or not the Company is the surviving corporation) a Person or Persons (other than an Affiliate of the Company); provided, however, that the term “Change of Control” shall not include any consolidation or merger of Holdings where the stockholders of Holdings immediately prior to the consolidation or merger would be, immediately after the consolidation or merger, the Beneficial Owner, directly or indirectly, of shares representing in the

aggregate 50% or more of the combined voting power of the securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate the parent entity, if any), or (2) that Holdings shall, directly or indirectly, in one or more related transactions sell, assign, transfer, license, convey or otherwise dispose of all or substantially all of the assets of Holdings to a Person or Persons (other than an Affiliate of the Company), or (3) a Person or Persons acting in concert make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) any Person (other than the initial Holder or its Affiliates) or “group” of related Persons, is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the Common Stock of Holdings, or (5) the Company shall, directly or indirectly, in one or more related transactions consummate a securities purchase agreement or business combination (including, without limitation, a reorganization, recapitalization, spin-off) with a Person or Persons, in one or more related transactions, whereby such Person(s) acquire Beneficial Ownership (without regard to any conversion limitations or delays on the securities convertible into Common Stock, if any) of more than 50% of the number of shares of Common Stock issued and outstanding, or (6) reorganize, recapitalize or reclassify its Common Stock (other than a stock split, reverse stock split or other transaction contemplated by Section 7(b)), or (7) a majority of the Board of Directors of Holdings are not Continuing Directors, or (8) the Company shall sell or, other than to a customer in the ordinary course of business, grant an exclusive license to the Collateral to another Person.

(l) “ **Change of Control Notice** ” has the meaning assigned to it in Section 5 hereof.

(m) “ **Change of Control Redemption Price** ” has the meaning assigned to it in Section 5 hereof.

(n) “ **Closing Sale Price** ” means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security, as reported by Bloomberg (whether or not such security is trading on an Eligible Market at such time), or, if the market on which the security is trading begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York Time, as reported by Bloomberg, or, if the market on which the security is trading is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the “pink sheets” by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Sale Price cannot be calculated for a security on a particular

date on any of the foregoing bases, the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 17. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(o) “ **Collateral** ” has the meaning given to such term in the Security Agreement.

(p) “ **Commission** ” means the United States Securities and Exchange Commission.

(q) “ **Common Stock** ” has the meaning assigned to it in Section 3 hereof.

(r) “ **Common Stock Buy-In** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(s) “ **Common Stock Buy-In Price** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(t) “ **Contingent Obligation** ” means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(u) “ **Continuing Director** ” means, as of any date of determination, any member of the Board of Directors of Holdings who: (1) was a member of such Board of Directors on the Issuance Date or (2) was nominated for election or elected to the Board of Directors with the approval of a majority of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election.

(v) “ **Conversion Amount** ” has the meaning assigned to it in Section 3(b)(i) hereof.

(w) “ **Conversion Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(x) “ **Conversion Failure** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(y) “ **Conversion Notice** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(z) “ **Conversion Rate** ” has the meaning assigned to it in Section 3(b)(ii) hereof.

(aa) “ **Custodian** ” has the meaning assigned to it in Section 4(a)(iv) hereof.

(bb) “ **Discounted Sale Price** ” has the meaning assigned to it in Section 3(b)(ii) hereof.

(cc) “ **Distributed Property** ” has the meaning assigned to it in Section 7(a) hereof.

(dd) “ **DWAC** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(ee) “ **Eligible Market** ” means a national security exchange that has registered with the Commission under Section 6 of the Securities Exchange Act of 1934.

(ff) “ **Event of Default** ” has the meaning assigned to it in Section 4(a) hereof.

(gg) “ **Event of Default Notice** ” has the meaning assigned to it in Section 4(b) hereof.

(hh) “ **Event of Default Redemption Notice** ” has the meaning assigned to it in Section 4(b) hereof.

(ii) “ **Event of Default Redemption Price** ” means a price equal to 100% of the aggregate Principal amount thereof, plus accrued and unpaid Interest, if any, to but excluding the Redemption Date.

(jj) “ **Exchange Act** ” has means the Securities Exchange Act of 1934, as amended.

(kk) “ **GAAP** ” means U.S. generally accepted accounting principles consistently applied.

(ll) “ **Holder** ” has the meaning assigned to it in the introduction hereof.

(mm) “ **Indebtedness** ” means (1) all indebtedness for borrowed money, (2) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, “capital leases” in accordance with GAAP) (other than trade payables entered into in the ordinary course of business), (3) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (4) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (5) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (6) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (7) all indebtedness referred to in clauses (1) through (6) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any

Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (8) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (1) through (7) above.

(nn) “ **Interest** ” has the meaning assigned to it in Section 2(a) hereof.

(oo) “ **Interest Date** ” has the meaning assigned to it in Section 2(a) hereof.

(pp) “ **Interest Rate** ” means six percent (6.0%) per annum.

(qq) “ **Issuance Date** ” means October 24, 2016.

(rr) “ **License Agreements** ” means (i) the License Agreement, dated as of February 5, 2016, by and among Amgen Inc., Holdings and Solutions and (ii) the Unilife Product License Agreement, dated as of February 22, 2016, by and among Amgen Inc., Holdings and Solutions.

(ss) “ **Lien** ” means any claim, mortgage, deed of trust, levy, charge, license, lien, pledge, charge, security interest or other similar encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries.

(tt) “ **Maturity Date** ” has the meaning assigned to it in Section 1 hereof.

(uu) “ **Note** ” has the meaning assigned to it in the introduction hereof.

(vv) “ **Note Delivery Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(ww) “ **Obligations** ” shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to the Holder of every kind and description, now existing or hereafter arising under or pursuant to the terms of this Note and the other Transaction Documents, including, all interest, fees, charges, expenses, attorneys’ fees and costs and accountants’ fees and costs chargeable to and payable by the Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under the Bankruptcy Code (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

(xx) “ **Options** ” means rights, options or warrants to subscribe for, purchase or otherwise acquire shares of Common Stock or Convertible Securities.

(yy) “ **OrbiMed Credit Agreement** ” means that certain Credit Agreement, dated as of March 12, 2014, by and among Unilife Medical Solutions, Inc., as borrower, and ROS Acquisition Offshore LP, as lender (as the same may be amended, restated, supplemented or modified from time to time).

(zz) “ **Other Notes** ” has the meaning assigned to it in the introduction hereof.

(aaa) “ **Permitted Lien** ” has the meaning ascribed to such term in the Security Agreement.

(bbb) “ **Person** ” means and includes all natural persons, corporations, business trusts, associations, companies, partnerships, joint ventures, limited liability companies and other entities and governments and agencies and political subdivisions.

(ccc) “ **PIK Interest** ” has the meaning assigned to it in Section 2(a) hereof.

(ddd) “ **Principal** ” has the meaning assigned to it in the introduction hereof.

(eee) “ **Purchase Rights** ” has the meaning assigned to it in Section 6 hereof.

(fff) “ **Redemption Price** ” means either an Event of Default Redemption Price or Change of Control Redemption Price.

(ggg) “ **Register** ” has the meaning assigned to it in Section 24 hereof.

(hhh) “ **Security Agreement** ” means that certain security agreement dated as of the Initial Closing Date by and among Unilife Corporation and Amgen Inc., pursuant to which the Notes were secured.

(iii) “ **Securities Purchase Agreement** ” means that certain securities purchase agreement dated as of the Issuance Date by and among Unilife Corporation and Amgen Inc., pursuant to which the Company issued the Notes.

(jjj) “ **Share Delivery Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(kkk) “ **Solutions** ” has the meaning assigned to it in the introduction hereof.

(lll) “ **Trading Day** ” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York Time).

(mmm) “ **Twenty Day VWAP** ” means, for any security as of any date, the volume weighted average price of such security during the twenty (20) Trading Days preceding such date (whether or not such security is trading on an Eligible Market at such time). If the Twenty Day VWAP cannot be calculated for a security on a particular date on the foregoing basis, the Twenty Day VWAP of such security on such date shall be the fair

market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 17. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(23) SECURITY. The Notes shall be secured by and to the extent provided in the Security Agreement.

(24) PERMITTED TRANSFERS. If this Note is transferred pursuant to the terms of the Securities Purchase Agreement, the Company and any Holder shall comply with the terms of Section 10.6(b) of the Securities Purchase Agreement.

(25) REGISTERED OBLIGATION. The Company shall establish and maintain a record of ownership (the “**Register**”) in which it will register the interest of the initial Holder and of each subsequent assignee in this Note, and the right to receive any payments of principal and interest or any other payments hereunder, and any assignment of any such interest. Notwithstanding anything herein to the contrary, this Note is intended to be treated as a registered obligation for federal income tax purposes and the right, title, and interest of the Holder and its assignees in and to payments under this Note shall be transferable only upon notation of such transfer in the Register. This Section shall be construed so that the Note is at all times maintained in “registered form” within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code and any related regulations (or any successor provisions of the Code or such regulations).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

UNILIFE CORPORATION

By: /s/ John Ryan

Name: John Ryan

Title: President & Chief Executive Officer

UNILIFE MEDICAL SOLUTIONS, INC .

By: /s/ John Ryan

Name: John Ryan

Title: President & Chief Executive Officer

NOTE

UNILIFE CORPORATION
CONVERSION NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO CONVERT THIS NOTE INTO COMMON STOCK

Reference is made to the Senior Secured Convertible Note due 2023 (the "Note") issued to the undersigned by Unilife Corporation ("Holdings"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, par value \$0.01 per share (the "Common Stock"), of Holdings as of the date specified below. The undersigned hereby makes the representations and warranties set forth in Section 5 of the Securities Purchase Agreement.

Date of Conversion: _____

Aggregate Conversion Amount to be converted: _____

Please confirm the following information:

Conversion Rate: _____

Number of shares of Common Stock to be issued: _____

Common Stock Beneficially Owned:

Please issue the Common Stock into which the Note is being converted in the following name and to the following address:

Issue to: _____

Facsimile Number: _____

Authorization: _____

By: _____

Title: _____

Dated: _____

Account Number: _____

(if electronic book entry transfer)

Transaction Code Number: _____
(if electronic book entry transfer)

ACKNOWLEDGMENT

Holdings hereby acknowledges this Conversion Notice and hereby directs _____, Holdings' transfer agent (the "**Transfer Agent**"), to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from Holdings and acknowledged and agreed to by Transfer Agent.

UNILIFE CORPORATION

By: _____
Name:
Title:

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [] and an asterisk*, have been separately filed with the Commission.

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH SUCH SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

UNILIFE CORPORATION

6% SENIOR SECURED CONVERTIBLE NOTE DUE 2023

Issuance Date: December 20, 2016

Principal: U.S. \$ **5,000,000**

FOR VALUE RECEIVED, Unilife Corporation, a Delaware corporation (“**Holdings**”), and Unilife Medical Solutions, Inc., a Delaware corporation (“**Solutions**”), and together with Holdings and any other entity that may become a party hereto as provided herein, each a “**Company**” and, collectively the “**Company**”), hereby promises to pay to Amgen Inc. or its registered assigns (“**Amgen**” or “**Holder**”) the amount set out above opposite the caption “**Principal**” (as such amount may be increased or reduced from time to time pursuant to the terms hereof, whether through the payment of PIK Interest (as defined below) or through redemption, conversion or otherwise, the “**Principal**”) when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case, in accordance with the terms hereof) and to pay Interest (as defined below) on the outstanding Principal at the rates, in the manner and at the times set forth herein. This Senior Secured Convertible Note Due 2023 (including all Senior Secured Convertible Notes Due 2023 issued in exchange, transfer or replacement hereof, this “**Note**”) is one of several Senior Secured Convertible Notes Due 2023 that have and may be issued pursuant to that certain Securities Purchase Agreement, dated February 22, 2016 (collectively, the “**Notes**” and such other Senior Secured Convertible Notes Due 2023, the “**Other Notes**”). The initial Note in the initial aggregate principal amount of \$30,000,000 was issued under the Securities Purchase Agreement on February 22, 2016. A second Note in the initial aggregate principal amount of \$10,600,000 was issued under the Securities Purchase Agreement on October 24, 2016. Certain capitalized terms used herein are defined in Section 22. Capitalized terms used herein but not defined shall have the meaning given to such terms in the Securities Purchase Agreement. For the avoidance of doubt, unless otherwise expressly set forth herein, the Companies shall be jointly and severally responsible for the obligations of the “**Company**” or “**Companies**” set forth herein.

(1) PAYMENTS and PREPAYMENTS. Except as otherwise expressly set forth herein, the Note will be repaid through reductions in principal and/or interest in amounts equal to

(i) []* discounted pricing on purchases by Amgen or its Affiliates of the Company's products purchased pursuant to one or more of the License Agreements, the Development and Supply Agreement (as defined in the License Agreements), or otherwise, (ii) credits taken by Amgen or its Affiliates against development and customization fees for devices, if applicable, pursuant to one or more of the License Agreements, the Development and Supply Agreement, or otherwise and (iii) credits against per-unit royalties otherwise payable to the Company pursuant to one or more of the License Agreements, the Development and Supply Agreement, or otherwise for the manufacture and sale of the Company's products. To the extent that more than one Note is outstanding, repayment shall be applied to the Notes in the order of their issuance. Within 10 days after the Company has closed its financial books and records with respect to a month, the Company shall provide the Holder with a monthly statement with respect to such month indicating the calculation of any reduction in Principal or Interest pursuant to the preceding sentence and the Principal and Interest outstanding as of the close of such month after giving effect to any such reduction. On the Maturity Date and upon the surrender of this Note, the Company shall pay to the Holder in cash, an amount equal to any remaining outstanding Principal (if any) and accrued and unpaid Interest thereon. The "**Maturity Date**" shall be February 22 , 2023.

The Company may prepay any portion of the outstanding Principal or any accrued and unpaid Interest on the terms and conditions set forth below. To prepay Holder any amount of outstanding Principal or accrued and unpaid Interest (a "**Prepayment Amount**") on a given date (a "**Prepayment Date**"), the Company shall transmit by facsimile (or otherwise deliver) to Holder, for receipt on or prior to 5:00 p.m., Eastern Time, on the twentieth (20th) Business Day prior to the proposed Prepayment Date, a notice of prepayment (a "**Prepayment Notice**") specifying the proposed Prepayment Amount and proposed Prepayment Date. If, within the fifteen (15) Business Days following receipt of a Prepayment Notice, Holder delivers to the Company a Conversion Notice, then the Prepayment Amount on the applicable Prepayment Date shall be reduced by the Conversion Amount in such Conversion Notice (and, for the avoidance of doubt, if the Conversion Amount is greater than or equal to the Prepayment Amount, then no prepayment shall occur on the proposed Prepayment Date).

Following any such prepayment, Holder shall surrender this Note to a common carrier for delivery to the Company as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). If this Note is physically surrendered pursuant to the foregoing sentence and the outstanding Principal and accrued and unpaid Interest of this Note is greater than the Prepayment Amount, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder a new Note (in accordance with Section 12(d)). Notwithstanding the foregoing, the Holder and the Company may agree to maintain records showing the portion of Principal and Interest prepaid and the applicable Prepayment Dates or use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon prepayment. In the event of a dispute in connection with a prepayment of this Note, the Company shall prepay to the Holder the portion of the proposed Prepayment Amount not in dispute and resolve such dispute in accordance with Section 17.

(2) INTEREST.

(a) Interest on this Note (“ **Interest** ”) shall commence accruing at the Interest Rate on the Issuance Date and shall be computed on the basis of a 360-day year and twelve 30-day months and the actual number of days elapsed and shall be payable in arrears for each Calendar Quarter on the first day of the succeeding Calendar Quarter during the period beginning on the Issuance Date and ending on, and including, the Maturity Date (each, an “ **Interest Date** ”) with the first Interest Date being April 1, 2017. Interest shall be payable on each Interest Date, to the record holder of this Note on the applicable Interest Date, through the addition of the amount of such Interest to the then outstanding Principal (“ **PIK Interest** ”). Interest that is paid in the form of PIK Interest shall be considered paid or duly provided for, for all purposes under this Note, and shall not be considered overdue.

(b) Accrued and unpaid Interest due on any portion of the Principal that is converted pursuant to Section 3 shall accrue through the Conversion Date and shall be paid on the next Interest Date, unless the entire outstanding Principal amount is being converted, in which case, the accrued and unpaid Interest shall be paid on the corresponding Share Delivery Date.

(3) CONVERSION OF NOTES. This Note shall be convertible into shares of Holdings’ common stock, par value \$0.01 per share (the “**Common Stock**”), on the terms and conditions set forth in this Section 3.

(a) Conversion Right. At any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and non-assessable shares of Common Stock in accordance with Section 3(c), at the Conversion Rate (as defined below). Holdings shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, Holdings shall round such fraction of a share of Common Stock up to the nearest whole share. Holdings shall pay any and all transfer, stamp and similar taxes that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

(b) Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a) shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Rate (as defined below).

- (i) “ **Conversion Amount** ” means the portion of the Principal to be converted, redeemed or otherwise with respect to which this determination is being made (which shall include PIK Interest, if applicable under Section 2(b)).
- (ii) “ **Conversion Rate** ” means as of any Conversion Date (as defined below) or other date of determination during the period beginning on the Issuance Date and ending on and including the Maturity

Date, 90% of the Twenty Day VWAP of the Common Stock on the Trading Day immediately prior to the applicable Conversion Date (the “ **Discounted Sale Price** ”); provided, however, that if the Discounted Sale Price is an amount less than the greater of (x) \$12.50 per share, (y) the Closing Sale Price on the Trading Day immediately preceding the Issuance Date, and (z) the book value per share of Common Stock (as calculated in accordance with the rules of the principal securities exchange or trading market of the Common Stock) on the Trading Day immediately preceding the Issuance Date, then the Conversion Rate shall be equal to the amount that is the greater of (x),(y) and (z) (the floor price set forth in the foregoing proviso, “ **Conversion Rate Floor Price** ”).

- (iii) Notwithstanding any other provision, at no time may the Company issue shares of Common Stock to Noteholder which, when aggregated with all other shares of Common Stock then deemed Beneficially Owned by Noteholder, would result in Noteholder becoming the Beneficial Owner of more than 19.99% of all Common Stock outstanding immediately after giving effect to such issuance.

(c) Mechanics of Conversion.

- (i) Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a “ **Conversion Date** ”), the Holder shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 5:00 p.m., Eastern Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the “ **Conversion Notice** ”) to Holdings and (B) if required by Section 3(c)(iii), surrender this Note to a common carrier for delivery to Holdings as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). On or before the first (1st) Business Day following the date of receipt of a Conversion Notice, Holdings shall transmit by facsimile or email a confirmation of receipt of such Conversion Notice to the Holder and the Transfer Agent. On or before the third (3rd) Business Day following the date of receipt of a Conversion Notice (the “ **Share Delivery Date** ”), Holdings shall deliver the shares of Common Stock to which the Holder shall be entitled by Deposit/Withdrawal at Custodian (“ **DWAC** ”) or other available means of electronic delivery through the Depository Trust Company. If this Note is physically surrendered for conversion as required by Section 3(c)(iii) and the outstanding Principal of this Note is greater than the portion of the Conversion Amount constituting principal, then Holdings at its own expense shall as soon as practicable and in any event either (i) mail to the holder

within three (3) Business Days after receipt of this Note a new Note (in accordance with Section 12(d)) representing the outstanding Principal not converted, or (ii) deliver to the Holder within five (5) Business Days after receipt of this Note a new Note (in accordance with Section 12(d)) representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date to the extent permitted by applicable law.

- (ii) Holdings' Failure to Timely Convert. If Holdings shall fail to deliver via DWAC or issue a certificate to the Holder for the number of shares of Common Stock to which the Holder is entitled upon conversion of any Conversion Amount on or prior to the date which is three (3) Business Days after the Conversion Date (a "**Conversion Failure**"), then (A) the Company shall pay damages in cash to the Holder for each date of such Conversion Failure in an amount equal to 1.5% of the product of (I) the sum of the number of shares of Common Stock not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled, and (II) the Closing Sale Price of the Common Stock on the Share Delivery Date and (B) the Holder, upon written notice to Holdings, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, any portion of this Note that has not been converted pursuant to such Conversion Notice; provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 3(c) (ii) or otherwise. At the Holder's option in lieu of the foregoing, if within three (3) Business Days after Holdings' receipt of the facsimile copy of a Conversion Notice Holdings shall fail to issue and deliver a certificate or shares via the DWAC system to the Holder for the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by the Holder of Common Stock issuable upon such conversion that the Holder anticipated receiving from Holdings (a "**Common Stock Buy-In**"), then Holdings shall, within three (3) Business Days after the Holder's request (which shall include written evidence of a Common Stock Buy-In) and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Common Stock Buy-In Price**"), at which point Holdings' obligation to deliver such

certificate (and to issue such Common Stock) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Common Stock Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Conversion Rate on the Conversion Date.

- (iii) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to Holdings unless (A) the full Principal represented by this Note is being converted, together with all accrued and unpaid Interest thereon, or (B) the Holder has provided Holdings with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and Holdings shall maintain records showing the portion of Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and Holdings, so as not to require physical surrender of this Note upon conversion.
- (iv) Disputes. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, Holdings shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 17.
- (v) Sale or Transfer into Australia. The purpose of the issue and sale of this Note is not to facilitate the subsequent sale or transfer of this Note or shares of Common Stock issuable to the Holder on conversion of this Note (or grant, issue or transfer any interest in or option over such shares of Common Stock (including CDIs over such shares of Common Stock) into Australia within 12 months following the date of issue of this Note or shares of Common Stock issuable on conversion of this Note (as applicable) by the Company.

(d) Hart-Scott-Rodino. Notwithstanding anything to the contrary contained in this Note, in the event that any conversion of this Note is subject to the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), the conversion by the Holder of this Note and the issuance by the Company of shares of Common Stock required by such conversion shall be subject to the expiration or earlier termination of the waiting period under the HSR Act.

(4) EVENTS OF DEFAULT; RIGHTS UPON EVENT OF DEFAULT.

(a) Events of Default. Each of the following events (so long as it is continuing) shall constitute an “ **Event of Default** ”:

- (i) Holdings’ (A) failure to cure a Conversion Failure with respect to any of the Notes by delivery of the required number of shares of Common Stock within ten (10) Business Days after the applicable Conversion Date or (B) written notice to the Holder, or by way of public announcement by Holdings, at any time, of its intention not to comply with a request for conversion of any Notes into shares of Common Stock that is tendered for conversion in compliance with the provisions of the Notes and applicable securities laws;
- (ii) the Company’s failure to pay to the Holder any amount of Principal, premium (if any), Interest, or other amounts when and as due under this Note (including, without limitation, the Company’s failure to pay any redemption payments hereunder), any other Transaction Document or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby to which such Holder is a party, provided, that such failure shall constitute an Event of Default only if such failure continues for a period of at least five (5) Business Days after the Company’s receipt of written notice from the Holder of the failure to pay;
- (iii) any acceleration prior to maturity of (A) any Indebtedness of the Company arising under the OrbiMed Credit Agreement or (B) any Indebtedness of the Company, other than the Notes or arising under the OrbiMed Credit Agreement, in an aggregate principal amount in excess of \$1,000,000;
- (iv) the Company, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, “ **Bankruptcy Law** ”), (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official (a “ **Custodian** ”), (D) makes a general assignment for the benefit of its creditors, or (E) admits in writing, after the date on which this Note is originally issued to the initial Holder, that it is generally unable to pay its debts as they become due;
- (v) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company or (C) orders the liquidation of the Company;

- (vi) a final judgment or judgments for the payment of money aggregating in excess of \$1,000,000 are rendered against the Company and which judgments are not, within sixty (60) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within sixty (60) days after the expiration of such stay; provided, however, that any judgment which is covered by insurance or an indemnity from a creditworthy party shall not be included in calculating the \$1,000,000 amount set forth above so long as the Company provides the Holder with a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity;
- (vii) any representation or warranty made by the Company in any Transaction Document or any License Agreement shall prove to be materially false or misleading as of the date made or deemed made;
- (viii) the Company shall materially breach any covenant or other term or condition of any Transaction Document or License Agreement and such material breach continues for a period of at least ten (10) consecutive Business Days (or, if the applicable cure period within such Transaction Document or License Agreement, as applicable, is longer, within such cure period) after written notice thereof is received by the Company from Amgen;
- (ix) any material provision of any Transaction Document or License Agreement ceases to be of full force and effect other than by its terms, or the Company contests in writing (or supports any other person in contesting) the validity or enforceability of any provision of any Transaction Document or License Agreement or the validity or priority of a Lien as required by the Collateral Documents on a material portion of the Collateral;
- (x) the execution or effectiveness of (i) any waiver or termination of, or amendment to, any amendment contemplated in Section 2 of either of the OrbiMed Amendments (as such term is defined in the Securities Purchase Agreement), or (ii) any other agreement, amendment or waiver that alters or affects or may alter or affect any amendment contemplated in Section 2 of either of the OrbiMed Amendments (as such term is defined in the Securities Purchase Agreement), in each case, without Holder's prior written consent;
- (xi) (A) any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected

lien (other than by the action or failure to take action by the Holder), with the priority required by the Collateral Documents, on, and security interest in, any material portion of the Collateral purported to be covered thereby, subject to Permitted Liens or (B) any Lien created or purported to be created by the Collateral Documents shall cease to have the same Lien priority established or purported to be established by the Intercreditor Agreement (other than by the action or failure to take action by the Holder); or

- (xii) the incurrence of any lien on the Collateral that is not a Permitted Lien if such Lien is not discharged within five (5) consecutive Business Days.

(b) Right of Holder upon Default. Upon the occurrence of an Event of Default with respect to this Note, the Company shall, within one (1) Business Day of the date on which the Company becomes aware of or reasonably should have become aware of such Event of Default, deliver written notice thereof via facsimile and overnight courier (an “**Event of Default Notice**”) to the Holder. Upon the occurrence of any Event of Default (other than an Event of Default described in Sections 4(a)(iv) and 4(a)(v)) and at any time thereafter during the continuance of such Event of Default, the Holder may, by written notice to the Company (an “**Event of Default Redemption Notice**”), declare all outstanding Obligations payable by the Company hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. Upon the occurrence of any Event of Default described in Sections 4(a)(iv) and 4(a)(v) immediately and without notice, all outstanding Obligations payable by the Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence and during the continuance of any Event of Default, the Holder may exercise any other right, power or remedy granted to it by the Transaction Documents or otherwise permitted to it by law, either by suit in equity or by action at law, or both. If the Holder has submitted an Event of Default Redemption Notice in accordance with this Section 4(b), then the Company shall deliver the Event of Default Redemption Price to the Holder within five (5) Business Days after the delivery of the Event of Default Redemption Notice.

(5) REDEMPTION UPON CHANGE OF CONTROL. No later than ten (10) days prior to the consummation of a Change of Control (or such shorter period prior to the occurrence of a Change of Control that the Company may have knowledge of the occurrence thereof), the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a “**Change of Control Notice**”). On the date of the consummation of the Change of Control (or, if the Company does not have knowledge of the occurrence of a Change of Control at least ten (10) days prior to the occurrence thereof, then within five (5) days after the Company obtains knowledge of the occurrence thereof), the Company shall redeem any outstanding portion of this Note in cash at a price equal to 101% of the aggregate Principal amount thereof, plus accrued

and unpaid Interest, if any, to but excluding the Redemption Date (the “ **Change of Control Redemption Price** ”). Notwithstanding anything to the contrary in this Section 5, until the Change of Control Redemption Price has been tendered for payment in full, the Conversion Amount and any Interest submitted for redemption under this Section 5 may be converted, in whole or in part, by the Holder into Common Stock pursuant to Section 3 and the Change of Control Redemption Price shall no longer be due or payable with respect to any Conversion Amount and Interest so converted into shares of Common Stock.

(6) RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS. If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the “ **Purchase Rights** ”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(7) RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

(a) Pro Rata Distributions. If Holdings, at any time while this Note is outstanding, distributes to all holders of Common Stock (i) evidences of its Indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case “ **Distributed Property** ”), then, unless taken into account pursuant to Section 7(b) below, upon any conversion of this Note that occurs after such record date, the Holder shall be entitled to receive, in addition to the shares of Common Stock otherwise issuable upon such conversion, the Distributed Property that the Holder would have been entitled to receive in respect of such number of shares of Common Stock immediately prior to such record date.

(b) Adjustment of Conversion Rate Floor Price upon Subdivision or Combination of Common Stock. If Holdings at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Rate Floor Price in effect immediately prior to such subdivision will be proportionately decreased. If Holdings at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Rate Floor Price in effect immediately prior to such combination will be proportionately increased.

(8) NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

(9) REDEMPTIONS. In the event of a redemption of less than all of the Principal of this Note under Section 4(b), the Company shall promptly cause to be issued and delivered to the Holder (after such original Note has been delivered to the Company) a new Note representing the outstanding Principal that has not been redeemed. In the event that the Company does not pay the required redemption amount to the Holder within the time period required under Section 4(b), at any time thereafter and until the Company pays such amount in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the amount of Principal that was submitted for redemption and for which the redemption amount has not been paid. Upon the Company's receipt of such notice, (x) the redemption notice shall be null and void with respect to such amount and (y) the Company shall immediately return this Note, or issue a new Note to the Holder representing such amount.

(10) RIGHTS. Except as otherwise provided for herein, the Holder shall have no rights as a stockholder of the Company as a result of being a holder of this Note, except as required by law, including, but not limited to, the General Corporation Law of the State of Delaware, and as expressly provided in this Note.

(11) COVENANTS.

(a) Rank. All payments due under this Note shall rank *pari passu* with all Other Notes.

(12) REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred in compliance with the Securities Purchase Agreement, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note, registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii), following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note. The Holder is not acquiring this Note for the purpose of selling or transferring this Note or the shares of Common Stock issuable on conversion of this Note (or granting, issuing or transferring any interest in or option over this Note or such shares of Common Stock (including CDIs over such shares of Common Stock)) into Australia, and the Holder will not sell this Note or any

shares of Common Stock issuable on conversion of this Note into Australia, within 12 months following the date of issue of this Note or shares of common stock issuable on conversion of this Note (as applicable) by the Company unless such resale offer is exempt from the requirement to issue a disclosure document under section 708 or 708A of the *Corporations Act 2001* (Cth).

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to the Company, in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the outstanding Principal.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding, (iii) shall have an issuance date, as indicated on the face of such new Note which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest of this Note from the Issuance Date.

(13) REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF.

(a) The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue monetary damages for any failure by the Company to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

(b) Notwithstanding the foregoing, the right of the Holder to receive payment of Principal, premium, if any, and Interest on the Note, on or after the respective due dates

set forth herein (including in connection with a Change of Control), or convert any portion of the Note into shares of Common Stock on the terms and conditions set forth herein, or to bring suit for the enforcement of any such right to payment or conversion, shall not be impaired or affected without the consent of the Holder.

(14) PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, reasonable attorneys' fees and disbursements.

(15) CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

(16) FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

(17) DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Closing Sale Price, the Closing Sale Price, the Redemption Price or the arithmetic calculation of the Conversion Rate or the Redemption Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within one (1) Business Day of receipt, or deemed receipt, of the Conversion Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Redemption Price or the Conversion Rate, as applicable, within one (1) Business Day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company and the Holder shall, within one (1) Business Day thereafter submit via facsimile the disputed determination of the Closing Sale Price, the Closing Sale Price, to an independent, reputable investment bank or accounting firm selected by the Holder and approved by the Company, such approval not to be unreasonably withheld. The Company, at the Company's expense, shall cause the investment bank or the accounting firm, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accounting firm's determination or calculation, as the case may be, shall be binding upon all parties absent manifest error.

(18) NOTICES; PAYMENTS.

(a) Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 10.3 of

the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) within one (1) Business Day upon any adjustment of the Conversion Rate Floor Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least ten (10) days prior to the date on which Holdings closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to holders of Common Stock or (C) for determining rights to vote with respect to any Change of Control, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

(b) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, such payment shall be made in lawful money of the United States of America by a check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing (which address shall initially be as set forth in Section 10.3 of the Securities Purchase Agreement); provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day.

(c) Withholding Taxes. All payments made by the Company hereunder shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes imposed on the recipient). If any such withholding is so required, the Company shall make the withholding, pay the amount withheld to the appropriate authority before penalties attach thereto or interest accrues thereon and pay to the recipient such additional amount as may be necessary to ensure that the net amount actually received by the recipient free and clear of such taxes (including taxes on such additional amount) is equal to the amount that the recipient would have received had such withholding not been made. If the recipient is required to pay any such taxes, penalties or interest, the Company shall reimburse the recipient for that payment on demand. If the Company pays any such taxes, penalties or interest, it shall deliver official tax receipts or other evidence of payment to the recipient on whose account such withholding was made on or before the thirtieth day after payment. The Holder agrees to provide, promptly following the Company's request therefore, such forms or certifications as it is legally able to provide to establish an exemption from, or a reduction in, any withholding taxes that might otherwise apply.

(19) CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

(20) WAIVER OF NOTICE. To the extent permitted by law, the Company hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Securities Purchase Agreement.

(21) GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York.

(22) CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

(a) “ **Affiliate** ” has the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(b) “ **Bankruptcy Code** ” means Chapter 11 of Title 11 of the United States Code, as amended from time to time and any successor statute and all rules and regulations promulgated thereunder.

(c) “ **Bankruptcy Law** ” has the meaning assigned to it in Section 4(a)(iv) hereof.

(d) “ **Beneficial Ownership** ” has the meaning set forth in Rule 13d-3 under the Exchange Act.

(e) “ **Bloomberg** ” means Bloomberg Financial Markets.

(f) “ **Business Day** ” means any day other than Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

(g) “ **Calendar Quarter** ” means each of the period beginning on and including July 1 and ending on and including September 30; and the period beginning on and including October 1 and ending on and including December 31; the period beginning on and including January 1 and ending on and including March 31; the period beginning on and including April 1 and ending on and including June 30.

(h) “ **CDIs** ” means CHES Depositary Interests representing shares of Common Stock (in the ratio of one (1) share of Common Stock to six (6) CHES Depositary Interests).

(i) “ **Company** ” has the meaning assigned to it in the introduction hereof.

(j) “ **Convertible Securities** ” means any evidences of Indebtedness, capital stock (other than shares of Common Stock) or other securities directly or indirectly convertible into or exchangeable for shares of Common Stock.

(k) “ **Change of Control** ” means: (1) Holdings shall, directly or indirectly, in one or more related transactions consolidate or merge with or into (whether or not the

Company is the surviving corporation) a Person or Persons (other than an Affiliate of the Company); provided, however, that the term “Change of Control” shall not include any consolidation or merger of Holdings where the stockholders of Holdings immediately prior to the consolidation or merger would be, immediately after the consolidation or merger, the Beneficial Owner, directly or indirectly, of shares representing in the aggregate 50% or more of the combined voting power of the securities of the entity issuing cash or securities in the consolidation or merger (or of its ultimate the parent entity, if any), or (2) that Holdings shall, directly or indirectly, in one or more related transactions sell, assign, transfer, license, convey or otherwise dispose of all or substantially all of the assets of Holdings to a Person or Persons (other than an Affiliate of the Company), or (3) a Person or Persons acting in concert make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) any Person (other than the initial Holder or its Affiliates) or “group” of related Persons, is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the Common Stock of Holdings, or (5) the Company shall, directly or indirectly, in one or more related transactions consummate a securities purchase agreement or business combination (including, without limitation, a reorganization, recapitalization, spin-off) with a Person or Persons, in one or more related transactions, whereby such Person(s) acquire Beneficial Ownership (without regard to any conversion limitations or delays on the securities convertible into Common Stock, if any) of more than 50% of the number of shares of Common Stock issued and outstanding , or (6) reorganize, recapitalize or reclassify its Common Stock (other than a stock split, reverse stock split or other transaction contemplated by Section 7(b)), or (7) a majority of the Board of Directors of Holdings are not Continuing Directors, or (8) the Company shall sell or, other than to a customer in the ordinary course of business, grant an exclusive license to the Collateral to another Person.

(l) “ **Change of Control Notice** ” has the meaning assigned to it in Section 5 hereof.

(m) “ **Change of Control Redemption Price** ” has the meaning assigned to it in Section 5 hereof.

(n) “ **Closing Sale Price** ” means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security, as reported by Bloomberg (whether or not such security is trading on an Eligible Market at such time), or, if the market on which the security is trading begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York Time, as reported by Bloomberg, or, if the market on which the security is trading is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic

bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the “pink sheets” by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 17. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(o) “ **Collateral** ” has the meaning given to such term in the Security Agreement.

(p) “ **Commission** ” means the United States Securities and Exchange Commission.

(q) “ **Common Stock** ” has the meaning assigned to it in Section 3 hereof.

(r) “ **Common Stock Buy-In** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(s) “ **Common Stock Buy-In Price** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

(t) “ **Contingent Obligation** ” means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(u) “ **Continuing Director** ” means, as of any date of determination, any member of the Board of Directors of Holdings who: (1) was a member of such Board of Directors on the Issuance Date or (2) was nominated for election or elected to the Board of Directors with the approval of a majority of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election.

(v) “ **Conversion Amount** ” has the meaning assigned to it in Section 3(b)(i) hereof.

(w) “ **Conversion Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(x) “ **Conversion Failure** ” has the meaning assigned to it in Section 3(c)(ii) hereof.

- (y) “ **Conversion Notice** ” has the meaning assigned to it in Section 3(c)(i) hereof.
- (z) “ **Conversion Rate** ” has the meaning assigned to it in Section 3(b)(ii) hereof.
- (aa) “ **Custodian** ” has the meaning assigned to it in Section 4(a)(iv) hereof.
- (bb) “ **Discounted Sale Price** ” has the meaning assigned to it in Section 3(b)(ii) hereof.
- (cc) “ **Distributed Property** ” has the meaning assigned to it in Section 7(a) hereof.
- (dd) “ **DWAC** ” has the meaning assigned to it in Section 3(c)(i) hereof.
- (ee) “ **Eligible Market** ” means a national security exchange that has registered with the Commission under Section 6 of the Securities Exchange Act of 1934.
- (ff) “ **Event of Default** ” has the meaning assigned to it in Section 4(a) hereof.
- (gg) “ **Event of Default Notice** ” has the meaning assigned to it in Section 4(b) hereof.
- (hh) “ **Event of Default Redemption Notice** ” has the meaning assigned to it in Section 4(b) hereof.
- (ii) “ **Event of Default Redemption Price** ” means a price equal to 100% of the aggregate Principal amount thereof, plus accrued and unpaid Interest, if any, to but excluding the Redemption Date.
- (jj) “ **Exchange Act** ” has means the Securities Exchange Act of 1934, as amended.
- (kk) “ **GAAP** ” means U.S. generally accepted accounting principles consistently applied.
- (ll) “ **Holder** ” has the meaning assigned to it in the introduction hereof.
- (mm) “ **Indebtedness** ” means (1) all indebtedness for borrowed money, (2) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, “capital leases” in accordance with GAAP) (other than trade payables entered into in the ordinary course of business), (3) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (4) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (5) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (6)

all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (7) all indebtedness referred to in clauses (1) through (6) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (8) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (1) through (7) above.

(nn) “ **Interest** ” has the meaning assigned to it in Section 2(a) hereof.

(oo) “ **Interest Date** ” has the meaning assigned to it in Section 2(a) hereof.

(pp) “ **Interest Rate** ” means six percent (6.0%) per annum.

(qq) “ **Issuance Date** ” means December 20, 2016.

(rr) “ **License Agreements** ” means (i) the License Agreement, dated as of February 5, 2016, by and among Amgen Inc., Holdings and Solutions and (ii) the Unilife Product License Agreement, dated as of February 22, 2016, by and among Amgen Inc., Holdings and Solutions.

(ss) “ **Lien** ” means any claim, mortgage, deed of trust, levy, charge, license, lien, pledge, charge, security interest or other similar encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries.

(tt) “ **Maturity Date** ” has the meaning assigned to it in Section 1 hereof.

(uu) “ **Note** ” has the meaning assigned to it in the introduction hereof.

(vv) “ **Note Delivery Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(ww) “ **Obligations** ” shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to the Holder of every kind and description, now existing or hereafter arising under or pursuant to the terms of this Note and the other Transaction Documents, including, all interest, fees, charges, expenses, attorneys’ fees and costs and accountants’ fees and costs chargeable to and payable by the Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under the Bankruptcy Code (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

(xx) “ **Options** ” means rights, options or warrants to subscribe for, purchase or otherwise acquire shares of Common Stock or Convertible Securities.

(yy) “ **OrbiMed Credit Agreement** ” means that certain Credit Agreement, dated as of March 12, 2014, by and among Unilife Medical Solutions, Inc., as borrower, and ROS Acquisition Offshore LP, as lender (as the same may be amended, restated, supplemented or modified from time to time).

(zz) “ **Other Notes** ” has the meaning assigned to it in the introduction hereof.

(aaa) “ **Permitted Lien** ” has the meaning ascribed to such term in the Security Agreement.

(bbb) “ **Person** ” means and includes all natural persons, corporations, business trusts, associations, companies, partnerships, joint ventures, limited liability companies and other entities and governments and agencies and political subdivisions.

(ccc) “ **PIK Interest** ” has the meaning assigned to it in Section 2(a) hereof.

(ddd) “ **Principal** ” has the meaning assigned to it in the introduction hereof.

(eee) “ **Purchase Rights** ” has the meaning assigned to it in Section 6 hereof.

(fff) “ **Redemption Price** ” means either an Event of Default Redemption Price or Change of Control Redemption Price.

(ggg) “ **Register** ” has the meaning assigned to it in Section 24 hereof.

(hhh) “ **Security Agreement** ” means that certain security agreement dated as of the Initial Closing Date by and among Unilife Corporation and Amgen Inc., pursuant to which the Notes were secured.

(iii) “ **Securities Purchase Agreement** ” means that certain securities purchase agreement dated as of the Issuance Date by and among Unilife Corporation and Amgen Inc., pursuant to which the Company issued the Notes.

(jjj) “ **Share Delivery Date** ” has the meaning assigned to it in Section 3(c)(i) hereof.

(kkk) “ **Solutions** ” has the meaning assigned to it in the introduction hereof.

(lll) “ **Trading Day** ” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not

designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York Time).

(mmm) “ **Twenty Day VWAP** ” means, for any security as of any date, the volume weighted average price of such security during the twenty (20) Trading Days preceding such date (whether or not such security is trading on an Eligible Market at such time). If the Twenty Day VWAP cannot be calculated for a security on a particular date on the foregoing basis, the Twenty Day VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 17. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(23) SECURITY. The Notes shall be secured by and to the extent provided in the Security Agreement.

(24) PERMITTED TRANSFERS. If this Note is transferred pursuant to the terms of the Securities Purchase Agreement, the Company and any Holder shall comply with the terms of Section 10.6(b) of the Securities Purchase Agreement.

(25) REGISTERED OBLIGATION. The Company shall establish and maintain a record of ownership (the “ **Register** ”) in which it will register the interest of the initial Holder and of each subsequent assignee in this Note, and the right to receive any payments of principal and interest or any other payments hereunder, and any assignment of any such interest. Notwithstanding anything herein to the contrary, this Note is intended to be treated as a registered obligation for federal income tax purposes and the right, title, and interest of the Holder and its assignees in and to payments under this Note shall be transferable only upon notation of such transfer in the Register. This Section shall be construed so that the Note is at all times maintained in “registered form” within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code and any related regulations (or any successor provisions of the Code or such regulations).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

UNILIFE CORPORATION

By: /s/ John Ryan

Name: John Ryan

Title: President & Chief Executive Officer

UNILIFE MEDICAL SOLUTIONS, INC .

By: /s/ John Ryan

Name: John Ryan

Title: President & Chief Executive Officer

NOTE

UNILIFE CORPORATION
CONVERSION NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO CONVERT THIS NOTE INTO COMMON STOCK

Reference is made to the Senior Secured Convertible Note due 2023 (the "Note") issued to the undersigned by Unilife Corporation ("Holdings"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, par value \$0.01 per share (the "Common Stock"), of Holdings as of the date specified below. The undersigned hereby makes the representations and warranties set forth in Section 5 of the Securities Purchase Agreement.

Date of Conversion: _____

Aggregate Conversion Amount to be converted: _____

Please confirm the following information:

Conversion Rate: _____

Number of shares of Common Stock to be issued: _____

Common Stock Beneficially Owned:

Please issue the Common Stock into which the Note is being converted in the following name and to the following address:

Issue to: _____

Facsimile Number: _____

Authorization: _____

By: _____

Title: _____

Dated: _____

Account Number: _____

(if electronic book entry transfer)

Transaction Code Number: _____

(if electronic book entry transfer)

ACKNOWLEDGMENT

Holdings hereby acknowledges this Conversion Notice and hereby directs _____, Holdings' transfer agent (the "**Transfer Agent**"), to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from Holdings and acknowledged and agreed to by Transfer Agent.

UNILIFE CORPORATION

By: _____

Name:

Title:

NINTH AMENDMENT TO CREDIT AGREEMENT

This NINTH AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is made and entered into as of October 24, 2016 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 (in its capacity as Lender and Collateral Agent, 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 Lender has extended credit to the Borrower on the terms set forth therein;

WHEREAS, the Borrower has advised the Lender that certain of the Credit Obligors intend to supplement the Amgen Securities Purchase Agreement by entering into a letter agreement with Amgen, Inc., that Amgen is issuing to Holdings a related acknowledgement letter (collectively, the “SPA Supplement”) and that Holdings intends to issue \$10,600,000 in Amgen Convertible Notes prior to January 1, 2017;

WHEREAS, the Borrower has requested that the Lender amend the Credit Agreement, as more fully described herein; and

WHEREAS, the Lender is willing to agree to such amendment, but 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 Amendment 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 Amendment becomes effective, refer to the Credit Agreement as amended hereby.

2. Waiver. Subject to the terms and conditions set forth herein, including the satisfaction of the conditions set forth in paragraph 4, Lender hereby waives (a) compliance with Section 8.9 of the Credit Agreement solely to permit the SPA Supplement, and (b) any Event of Default that would occur under Section 9.1(c) of the Credit Agreement solely with respect to the SPA Supplement.

3. Amendments.

(a) The following definitions in Section 1.1 of the Credit Agreement are hereby amended and restated in its entirety as follows:

“ Amgen Convertible Notes ” means the 6.0% Senior Secured Convertible Notes due 2023 issued by Holdings and Borrower pursuant to the Amgen Securities Purchase Agreement in the principal amount of \$30,000,000 on February 22, 2016, in a principal amount of \$10,600,000 on October 24, 2016 and in a principal amount of \$10,000,000 on January 1, 2018.

“ Amgen Securities Purchase Agreement ” means that certain Securities Purchase Agreement, dated as of February 22, 2016, among Holdings, the Borrower and Amgen Inc., as supplemented by that certain letter agreement dated as of October 24, 2016, among Holdings, Borrower and Amgen Inc.

(b) The definition of “Loan Documents” in Section 1.1 of the Credit Agreement is hereby amended by adding “, any registration rights agreement in favor of Lender” after “the Australian Security Documents” in such definition.

4. Conditions to Effectiveness of Amendment. This Amendment shall become effective upon receipt by:

(a) the Lender of a counterpart signature to this Amendment duly executed and delivered by the Borrower and each of the other Credit Obligors,

(b) the Credit Obligors of a counterpart signature to this Amendment duly executed and delivered by the Lender,

(c) the Lender of the SPA Supplement, in form and substance satisfactory to the Lender, duly executed and delivered by the signatories thereto, and

(d) the Borrower of \$10,000,000 gross proceeds from convertible notes issued by Holdings and Borrower to Amgen Inc.

5. 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 Amendment and all other expenses of the Lender remaining unpaid as of the date hereof.

6. No Implied Amendment or Waiver. Except as expressly set forth in this Amendment, this Amendment 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 Amendment 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. Subject to the Intercreditor Agreement, dated February 22, 2016, among Amgen Inc., Lender and ROS, 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 Amendment 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 Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge the Guarantor's obligations under the Loan Documents.

9. Press Release. No Credit Obligor shall, and each Credit Obligor shall instruct its Affiliates not to, issue a press release or other public announcement or otherwise make any public disclosure with respect to this Amendment or the subject matter hereof without the prior consent of the Lender (which consent shall not be unnecessarily withheld or delayed), except as may be required by applicable Law (in which case the Credit Obligor required to make the release or statement shall allow the Lender reasonable time to comment on such release or statement in advance of such issuance).

10. Waiver and Release. TO INDUCE THE LENDER TO AGREE TO THE TERMS OF THIS AMENDMENT, 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.

11. Counterparts; Governing Law. This Amendment 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 Amendment 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 Amendment. THIS AMENDMENT 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 Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

EXECUTED as a deed by each Australian Subsidiary.

UNILIFE MEDICAL SOLUTIONS, INC.

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

UNILIFE CORPORATION

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

UNILIFE CROSS FARM LLC

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

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

/s/ John Ryan
Signature of director

John Ryan
Name of director (print)

← /s/ Stephanie Walters ←
Signature of director/ ~~company secretary~~
(Please delete as applicable)

Stephanie Walters
Name of director/company secretary (print)

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

/s/ John Ryan
Signature of director

John Ryan
Name of director (print)

← /s/ Stephanie Walters ←
Signature of director/ ~~company secretary~~
(Please delete as applicable)

Stephanie Walters
Name of director/company secretary (print)

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

By: /s/ Sven Borno
Name: Sven Borno
Title General Partner

Signature Page to Ninth Amendment to Credit Agreement

TENTH AMENDMENT TO CREDIT AGREEMENT

This TENTH AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is made and entered into as of December 20, 2016 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 (in its capacity as Lender and Collateral Agent, 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 Lender has extended credit to the Borrower on the terms set forth therein;

WHEREAS , the Borrower has advised the Lender that Holdings intends to issue \$5,000,000 in Amgen Convertible Notes on December 20, 2016;

WHEREAS , the Borrower has requested that the Lender amend the Credit Agreement, as more fully described herein; and

WHEREAS, the Lender is willing to agree to such amendment, but 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 Amendment 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 Amendment becomes effective, refer to the Credit Agreement as amended hereby.

2. Consent . The Credit Obligors hereby agree that the Credit Obligors will obtain Lender’s written consent prior to closing on a transaction to sell securities of Holdings to a third party other than Amgen Inc. or any employee of Holdings or Borrower during the four-month period commencing January 1, 2017 and ending April 30, 2017.

3. Amendments.

(a) The following definition in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“ Amgen Convertible Notes ” means the 6.0% Senior Secured Convertible Notes due 2023 issued by Holdings and Borrower pursuant to the Amgen Securities Purchase Agreement in the principal amount of \$30,000,000 on February 22, 2016, in a principal amount of \$10,600,000 on October 24, 2016, in a principal amount of \$5,000,000 on December 20, 2016 and in a principal amount of \$10,000,000 on January 3, 2018.

4. Conditions to Effectiveness of Amendment. This Amendment shall become effective upon receipt by:

(a) the Lender of a counterpart signature to this Amendment duly executed and delivered by the Borrower and each of the other Credit Obligors,

(b) the Credit Obligors of a counterpart signature to this Amendment duly executed and delivered by the Lender,

(c) the Borrower of \$5,000,000 gross proceeds from convertible notes issued by Holdings and Borrower to Amgen Inc.

5. 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 Amendment and all other expenses of the Lender remaining unpaid as of the date hereof.

6. No Implied Amendment or Waiver. Except as expressly set forth in this Amendment, this Amendment 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 Amendment 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. Subject to the Intercreditor Agreement, dated February 22, 2016, among Amgen Inc., Lender and ROS, 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 Amendment 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 Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge the Guarantor's obligations under the Loan Documents.

9. Press Release. No Credit Obligor shall, and each Credit Obligor shall instruct its Affiliates not to, issue a press release or other public announcement or otherwise make any public disclosure with respect to this Amendment or the subject matter hereof without the prior consent of the Lender (which consent shall not be unnecessarily withheld or delayed), except as may be required by applicable Law (in which case the Credit Obligor required to make the release or statement shall allow the Lender reasonable time to comment on such release or statement in advance of such issuance).

10. Waiver and Release. TO INDUCE THE LENDER TO AGREE TO THE TERMS OF THIS AMENDMENT, 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.

11. Counterparts; Governing Law. This Amendment 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 Amendment 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 Amendment. THIS AMENDMENT 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 Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

EXECUTED as a deed by each Australian Subsidiary.

UNILIFE MEDICAL SOLUTIONS, INC.

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

UNILIFE CORPORATION

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

UNILIFE CROSS FARM LLC

By: /s/ John Ryan
Name: John Ryan
Title: President and Chief Executive Officer

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

/s/ John Ryan
Signature of director

John Ryan
Name of director (print)

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

/s/ John Ryan
Signature of director

John Ryan
Name of director (print)

← /s/ Stephanie Walters ←
Signature of director/~~company secretary~~
(Please delete as applicable)

Stephanie Walters
Name of director/company secretary (print)

← /s/ Stephanie Walters ←
Signature of director/~~company secretary~~
(Please delete as applicable)

Stephanie Walters
Name of director/company secretary (print)

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

By: /s/ Samuel D. Isaly
Name: Samuel D. Isaly
Title: Managing Member

Signature Page to Tenth Amendment to Credit Agreement

Awareness Letter from Independent Registered Public Accounting Firm

February 9, 2017

Unilife Corporation
York, Pennsylvania

Re: Registration Statements No. 333-197122, 333-164964, 333-178882, 333-186049, 333-193358, 333-200223 and 333-215751

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated February 9, 2017 related to our review of interim financial information.

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

(signed) KPMG LLP

Harrisburg, Pennsylvania

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

I, John Ryan, 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.
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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.

/s/ John Ryan

Name: John Ryan

Title: Chief Executive Officer

Date: February 9, 2017

**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.

/s/ David C. Hastings

Name: David C. Hastings

Title: Chief Financial Officer

Date: February 9, 2017

**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 on Form 10-Q of Unilife Corporation (the “Company”) for the quarterly period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Ryan, 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.

/s/ John Ryan

Name: John Ryan

Title: Chief Executive Officer

Date: February 9, 2017

**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 on Form 10-Q of Unilife Corporation (the “Company”) for the quarterly period ended December 31, 2016 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.

/s/ David C. Hastings

Name: David C. Hastings

Title: Chief Financial Officer

Date: February 9, 2017