

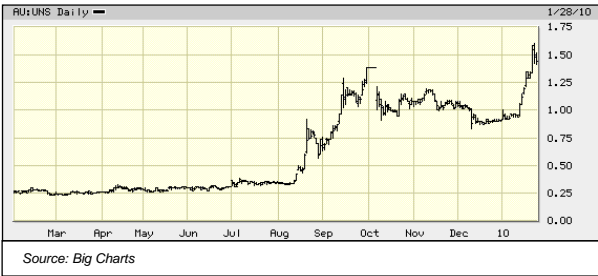


UNILIFE MEDICAL SOLUTIONS LTD. (ASX: UNS)

- Shareholder approval of the redomiciliation of Unilife paves the way for a Nasdaq listing in February.
- The latest safety syringe rounds out the product line, enabling Unilife to compete effectively throughout the safety syringe market.
- Unilife and sanofi-aventis are close to completing an exclusivity agreement that will grant access to the Unifill syringe to the pharmaceutical giant in specific therapeutic areas.
- Construction has begun on a new manufacturing plant and corporate headquarters.
- We are reiterating our BUY recommendation on Unilife shares with a target price of A\$2.75 per share.

Unilife Medical Solutions is a medical device company with a disruptive safety-syringe technology in sync with global trends in drug delivery. Its principal feature is a fully integrated and operator controlled needle retraction mechanism that is activated automatically to prevent needlestick injuries and reuse. This technology has been incorporated into fixed and interchangeable needle syringes, enabling the Company to compete effectively throughout the huge needle/syringe market. Two brands have now been created – a Unitract® line of disposable plastic syringes and a Unifill™ line of ready-to-fill glass syringes. The Company's strategic goal is to enter into supply agreements for these syringes with pharmaceutical, biotechnology, and healthcare companies. Unitract syringes may be shipped separately or with drugs packaged in vials, while the Unifill syringes will be prefilled with clients' drugs for shipment to healthcare providers and self-administering patients. Both brands will enable its clients to distinguish their drugs in the

Share Price (01/28/10)	A\$1.45
52-Week Price Low / High	A\$0.23-\$1.60
Mkt. Capitalization (issued)	A\$400 M
Shares Outstanding (issued)	307.81 M
12-month Target Price	A\$2.75
Website	www.unilife.com



marketplace and will prevent needlestick injuries and syringe reuse. Thus, Unilife's syringes are ideally suited to satisfy regulations of the United States and other nations that require better protective medical devices.

<p>KEITH A. MARKEY, PH.D. 212-514-7914 KMARKEY@GRIFFINSECURITIES.COM</p>	<p>CHRISTYNA BEDRIJ 212-509-9500 CBEDRIJ@GRIFFINSECURITIES.COM</p>	<p>MARK MERRILL 646-442-1441 MMERRILL@GRIFFINSECURITIES.COM</p>
--	--	--

SHAREHOLDERS APPROVE CORPORATE DOMICILE IN THE UNITED STATES

Unilife held a special meeting on January 8th to enable stockholders to consider a proposal to move the official corporate domicile from Australia to the United States. The measure was approved almost unanimously, perhaps because the Company had sought assurance from the Australian Federal Court that all stockholders were being treated fairly. This was accomplished in December when the Court gave the go-ahead to convene stock- and option-holder meetings, based on the Company's Scheme of Arrangement. Subsequently, the Federal Court signed off on the redomiciliation, which was the final step in the process.

The change of corporate domicile paves the way for Unilife to list its shares on Nasdaq, an event that is tentatively planned for February. The listing on a U.S. national exchange should provide a higher level of visibility within the investment community and within the pharmaceutical industry. The change of domicile will also provide greater access to capital than available in Australia and better protection against an unwanted takeover. (The new parent company has been incorporated in Delaware.) However even after the Nasdaq listing, Unilife equity will still trade in Australia as CHES Depository Interests (CDIs), an equivalent to the American Depository Receipt. Stockholders will have the right to exchange their securities for either common stock or CDIs in the new parent company, Unilife Corporation. According to the plan, the new common will subsequently trade on Nasdaq (proposed ticker: UNIS) once the Company's registration statement has been declared effective by the SEC. Meanwhile, the CDIs have already begun trading on the Australian exchange (ticker: UNS).

The January 8th meeting also resulted in stockholders approving an exchange of six current Unilife shares and options for one new share or option in the new corporate parent, Unilife Corporation. (Shareholders that opt for CDIs will receive one CDI for each current share outstanding.) As a result, the company would have had approximately 37.0 million shares outstanding as of September 30, 2009. Note, however that our financial analysis is based on the Australian shares currently outstanding and, as such, does not take into consideration the stock swap.

MANAGEMENT REMAINS FOCUSED ON ACHIEVING MILESTONES

Since Unilife moved its corporate headquarters to the United States, management has hit every milestone that it set for the Company. This has figured importantly in preparing for the commercial production of its novel safety needle/syringe technologies, sustaining good relations with partner sanofi-aventis, and winning investor trust. We look for the favorable trend to continue with new milestones being met:

- ✓ Q4,2009 Begin construction of new manufacturing plant and corporate headquarters
- ✓ Q1, 2010 Secure shareholder approval for corporate redomiciliation in the United States
- ✓ Q1, 2010 Select supplier of automated assembly equipment for the 1 ml. Unifill syringe
- Q1, 2010 Enlist a U.S. distributor(s) for the 1 ml. Unitract needle/syringe
- Q1, 2010 Initiate commercial rollout of the 1 ml. Unitract needle/syringe
- Q1, 2010 Sign exclusivity agreement with sanofi-aventis
- Q1, 2010 List Unilife Corporation common stock and options on Nasdaq
- H1, 2010 Sign first supply agreement for Unitract needle/syringe with a pharmaceutical company
- H1, 2010 Introduce the Unifill Select syringe to the pharmaceutical industry
- H2, 2010 Sign first supply agreement with sanofi-aventis for ready-to-fill safety needle/syringe
- H2, 2010 Sign first supply agreement with unaffiliated pharmaceutical company for the ready-to-fill safety needle/syringe
- Q3, 2010 Install clean rooms and commence production of ready-to-fill needles/syringes from 60 million unit line in the new manufacturing plant
- Q4, 2010 Move corporate headquarters into new facility
- Q1, 2011 Begin shipping ready-to-fill syringes to sanofi-aventis

A COMPLETE PRODUCT LINE TAKES SHAPE

With the unveiling of its latest design, the Unifill Select, Unilife has assembled a complete line of safety syringes capable of serving nearly the entire syringe market. (Only small, specialty niches, such as dual-chamber prefilled syringes, are not covered by his patented product portfolio.) As shown in Figure 1, the product line consists of two comparable sets of designs. The Unitract brand is crafted from plastic for use with injectable drugs supplied in vials. These syringes will be sold to pharmaceutical companies for packaging along with the drug vials and separately to healthcare providers and patients for general use. The Unifill brand consists of glass syringes that will be sold exclusively as ready-to-fill drug delivery devices to pharmaceutical companies. (Because the Unifill syringes will be prefilled with a drug or vaccine, they must have a glass barrel to ensure drug stability for at least two years as required by the FDA. Plastic barrels do not provide the same level of protection, for instance against oxidation.) Unilife's corporate clients will then prefill the syringes for shipping to healthcare providers and patients. As such, the Unifill brand obviates the need for vials, which will improve the pharmaceutical company's gross profit margins with less wasted drug; ensure that the proper dose of drug is administered to each patient, while protecting against accidental needlesticks; and provide a means of differentiating a drug from competitors in the marketplace.

Figure 1. Unilife's plastic and glass safety syringe lines.



Source: Unilife Medical Solutions

ATTACHABLE NEEDLES EXPAND THE MARKET FOR UNILIFE'S SAFETY SYRINGES

The original Unitract and Unifill syringes have fixed ½ inch needles that are well suited for subcutaneous dosing of such drugs as insulin and antithrombotic agents (e.g., sanofi-aventis's Lovenox®). The versions with attachable needles are designed for intramuscular drug administration because different sized needles are required to ensure the proper depth is reached for each patient, regardless of the patient's size, age, and site of injection. Pharmaceutical companies may thus choose to provide their target drugs and vaccines designated for intramuscular injection to healthcare facilities in 'ready-to-inject' kits comprising the prefilled syringe and a set of attachable needles. The proprietary designs of the interchangeable needles will add another layer of protection to complement the patents the Company holds on its safety technology. Combined, the Unitract and Unifill syringes will enable the Company to serve virtually the entire syringe market and therefore to maximize the return on its investments.

A HUGE, INADEQUATELY SERVED MARKET

The number of injections administered annually has been estimated in the range of 16 billion to 19 billion, with 95% for therapeutic purposes and 5% for prophylactic use.^{1,2} Since those estimates were made, the tally has increased, as the world's population has expanded and grown older, new vaccines and parenteral drugs have been launched commercially, and higher living standards in developing countries have resulted in improved access to better healthcare. The syringe market has been dominated by a few players (Becton, Dickinson [71% share], Covidien [22%], and Terumo [7%]) and geographic regions (United States [47% of all syringes used], Europe [24%], and the rest of the world [29%]). But that is likely to change.

Several forces will affect the supply and demand for syringes globally in the coming decade. The aforementioned demographic and economic factors will continue to play a role in reshaping the demand for drug delivery devices, particularly with further increases in self-administration of drugs and more care being delivered in the home. Also, safety needles/syringes should gain greater acceptance, thanks to the recognized threat posed by needlestick injuries and needle reuse, and enactment/enforcement of rules/laws to blunt the danger. This has already opened the door to competition based on technological solutions to the problem, resulting in five companies having at least a 2% share of the market and, combined, accounting for 93% of safety syringe sales. Other sources of competition include needlefree devices (1% of the market) and pen injection systems that have become popular in Europe. Yet, the opportunity for improvement remains as none of the existing technologies offers an ideal solution, since the number of needlestick injuries has continued to increase even after today's products entered the market. Another factor that will alter the structure of the syringe market is greater use of prefilled syringes by pharmaceutical companies. New drugs and vaccines that require parenteral administration will figure importantly in driving the trend. Other factors will be the savings and convenience afforded to pharmaceutical manufacturers and healthcare providers, respectively, by prefilled syringes. Accordingly, the safety syringe market is expected to grow by approximately 15% per annum for the next five years.

TARGETING THE PREFILLED SAFETY SYRINGE MARKET

Unilife is poised to fill a technological void with the first ready-to-fill syringe with a fully integrated safety mechanism, as today's ready-to-fill syringes must have an external attachment to provide protection against needlestick injuries. While the Company is about to introduce its fixed-needle Unitract (plastic) syringe, it is devoting the bulk of its resources to commercializing its Unifill brand. That strategy makes sense, since the Unifill will have greater pricing flexibility than possible in the more competitive general syringe arena and marketing costs will be limited to major corporations in the pharmaceutical and biotechnology industries. Also, more than 50 drugs are now sold in prefilled syringes and greater acceptance of these medicines and the introduction of more drugs/vaccines are expected to increase demand to three billion units annually by 2012. Yet, manufacturing capacity for ready-to-fill syringes is limited worldwide.

UNILIFE AND SANOFI-AVENTIS NEAR AGREEMENT ON AN EXCLUSIVITY LIST

Unilife and sanofi-aventis have collaborated since 2003, with the international pharmaceutical company providing access to manufacturing specifications that are outside the reach of most industry outsiders and financial support for the development of a production line for the Unifill fixed needle syringe. The companies are currently working under an industrialization agreement that calls for finalization of the manufacturing system by the end of this year (with annual production capacity of 40 million units) and provides €17 million in milestones to help finance the work, which is on track to be completed a year earlier than initially planned.

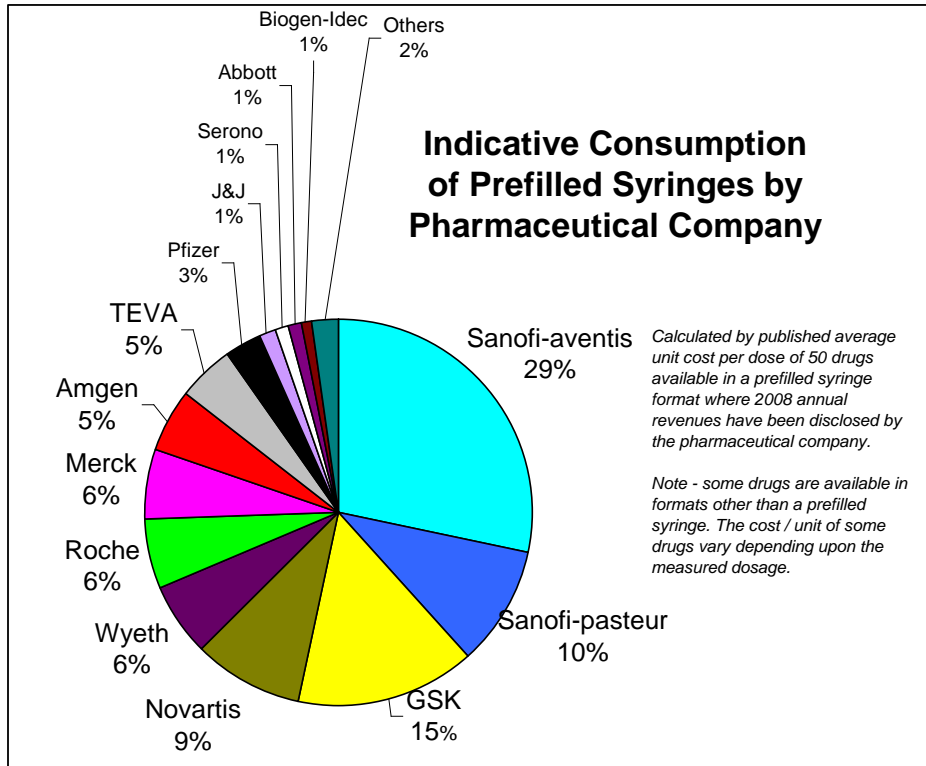
¹ WHO Safety of Injections – Global Facts & Figures, 2004.

² Greystone Associates. Safety syringes: players, products, and prospects. May, 2004.

SANOFI-AVENTIS’S INVESTMENT IN PREFILLED SYRINGES

As shown in Figure 2, sanofi-aventis is the leading user of ready-to-fill syringes in the world. This stems from its pioneering use of prefilled syringes to differentiate its products from those of competitors in the 1990s, while also helping healthcare providers work as efficiently as possible – under emergency conditions with its anticoagulant Lovenox[®] and during such high-volume situations as vaccine injections.

Figure 2. Estimated Use of Ready-to-Fill Syringes By Drug Companies



Source: Griffin Securities and Unilife Medical Solutions

Sanofi-aventis’s commitment to prefilled syringes continues, as evidenced by its recent decision to double its production capacity in Le Trait, France.³ The manufacturing plant currently produces one million drug-filled syringes per day and exports 90% of its production, of which 25% is sold into the North American market. A portion of the new capacity will be dedicated to one of the company’s most important drugs, the anti-coagulant Lovenox[®]. Other medicines that will be loaded into ready-to-fill syringes include vaccines for infant meningitis and a new intradermal flu vaccine Intanza[®]. Such products are expected to offset the impact of generic competition to Lovenox[®], which will patent protection in 2012.

ADVANCING TOWARD SYRINGE SUPPLY CONTRACTS

Presently, Unilife is reviewing a list of therapeutic areas in which sanofi-aventis would like to have exclusive access to the Unifill fixed needle syringe. The partners have until February 28th to come to an agreement, but preliminary indications suggest the list is in keeping with the good collaborative effort that has evolved over the years. Once the agreement is in place, the two companies will work on supply contracts for individual products. The first such deal will probably be signed in the second half of this year. Sanofi will relinquish exclusive rights to any therapeutic area in which it does not sign a supply contract within five years, and it must meet certain annual volume minimums to maintain its exclusive rights to any

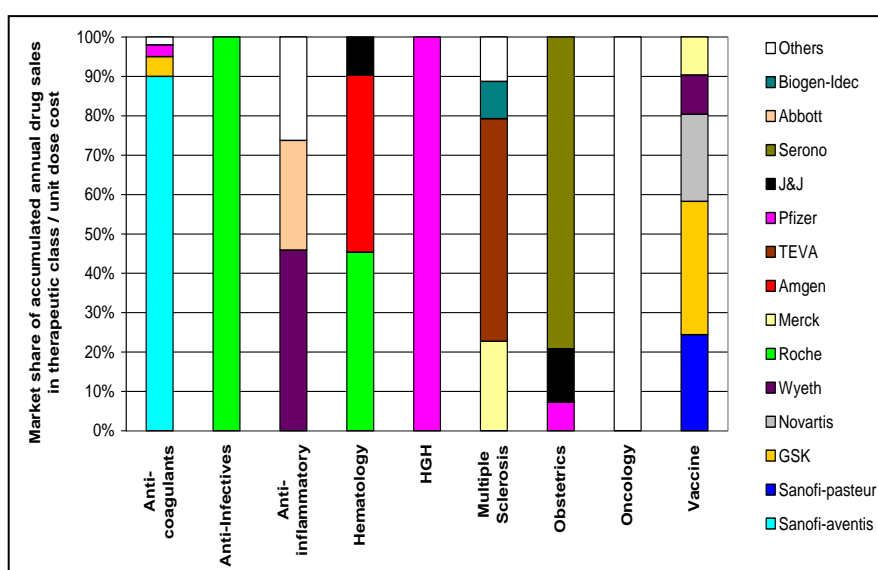
³ Sanofi-aventis doubles syringe production capacity and diversifies vaccine production at the Le Trait manufacturing plant. Sanofi-aventis news release, dated December 11, 2009.

therapeutic area. In exchange, Unilife will provide preferential pricing to sanofi-aventis and exclusivity to 2024 in the designated therapeutic areas in which sanofi-aventis is a customer.

OPPORTUNITIES WITH OTHER DRUG COMPANIES

An agreement on the exclusivity list therefore constitutes the next step toward a long-term supply relationship between Unilife and sanofi-aventis. However, it will also free Unilife to pursue deals with other pharmaceutical companies in therapeutic areas not on the sanofi list. Unilife has begun to introduce its unique ready-to-fill safety syringes to the industry at tradeshow and in private meetings with interested pharmaceutical companies. Such marketing endeavors will be important to achieving a diversified clientele. Indeed, the Company’s long-range plans include business from sanofi-aventis and other companies that do not compete directly in its partner’s therapeutic areas of interest. As shown in Figure 3, a broad range of companies already provide drugs in prefilled syringes in therapeutic areas in which sanofi appears to have little/no interest.

Figure 3. Estimated Pharmaceutical Industry Use of Ready-to-Fill Syringes



Source: Unilife Medical Solutions

SYRINGES FOR NEW DRUGS AND VACCINES

Regardless of the client, Unilife does not expect the majority of its supply agreements will relate to large-volume drugs currently on the market. That’s because pharmaceutical companies must seek regulatory approval for the distribution of their drugs with specific delivery devices before they can offer the combination commercially and that requires clinical testing. (The initial shipments of syringes to sanofi-aventis in 2011 will be used to obtain clinical data for regulatory approvals.) Then, too, the Company’s own production capacity is unlikely to be sufficient to adequately supply large volumes of syringes anytime soon. Current plans call for production capacity of ready-to-fill syringes to reach 60 million units by the end of this year and then (subject to demand) increase with the addition of one 150 million unit manufacturing line per year through 2015. As a result, Unilife expects to sign supply agreements for drugs and vaccines that are now in the industry’s R&D pipelines. We note that many companies have such products in clinical trials for a variety of indications that will require administration via injection, including Novo Nordisk’s liraglutide for diabetes; AVI Biopharma’s therapy for Duchenne muscular dystrophy; Baxter Healthcare’ tick-borne encephalitis vaccine; Bayhill Therapeutics’ tolerizing vaccine for multiple sclerosis; sanofi-aventis’s dengue fever vaccine; , NovaRx’s vaccine against non-small cell lung cancer; and AVAX Technologies’ melanoma vaccine.⁴ While not all of these will be provided in prefilled syringes, there are many opportunities available, since a search of the ClinicalTrials.gov website lists

⁴ Information on drugs and vaccines in development obtained from www.clinicaltrials.gov in mid-January, 2010.

more than 500 Phase I and II studies involving subcutaneous injection. And given the development of immunological approaches in particular, it is not surprising that the vaccine market is projected to double in size to \$39 billion by 2013 and three of every four doses introduced will involve intramuscular administration.⁵ Unilife is well positioned to take advantage of emerging opportunities with its Unifill fixed needle and Unifill Select syringes. Moreover, the company has received written legal opinion that the Unifill Select is not subject to any agreements previously signed relating to the Unifill fixed needle syringe.

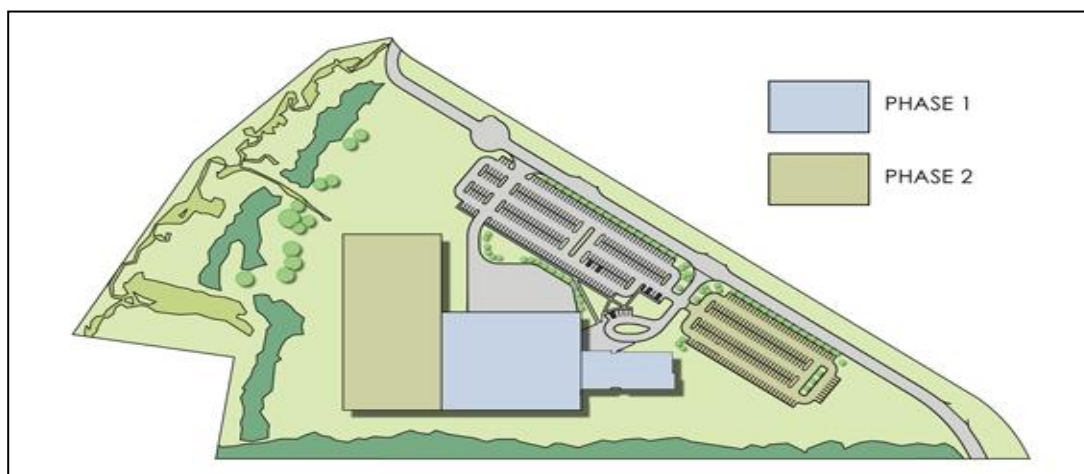
SAFETY SYRINGES AS PART OF A DRUG'S LIFE-CYCLE MANAGEMENT

Managing the life cycle of a drug is an important element in a pharmaceutical company's strategic planning. This often involves introducing more than one dosage strength, expanding the market beyond the initial indication, and rolling out a generic version prior to would-be competitors. Unilife's unique safety technologies can be used to distinguish a drug or vaccine from competitors as well. Indeed, it will allow clients to promote their products based on the protection against needlestick injuries afforded to healthcare workers in a syringe whose outward appearance and use differ little from the ordinary syringe. As a result, we believe pharmaceutical and biotechnology companies will seek access to the Company's syringes as part of their life-cycle management strategies.

NEW MANUFACTURING PLANT/OFFICE COMPLEX UNDER CONSTRUCTION

Unilife moved into its current, rented facility in Lewisbury, PA via an acquisition of an FDA-registered medical device manufacturer in 2007. This 50,000 square foot site has served its purpose well, but it is too small to accommodate production lines and related office space that are planned to mid-decade. The Company has decided to build a custom-designed facility in York, PA that will support its anticipated needs to 2017 on a 38 acre parcel, as shown in Figure 4.

Figure 4. Planned layout of Unilife's new manufacturing plant & headquarters



Source: Unilife Medical Solutions

Upon full completion of both the first phase and a planned second phase, the new facility, pictured in Figure 5, would enable Unilife to manufacture up to 1 billion syringes annually. Moreover, it will provide hard evidence of the company's commitment to its customers, investors, and the local community. We believe this will help to garner new business and continue to attract experienced personnel to sustain the Company's track record of meeting or exceeding its contractual obligations.

⁵ Macdonald, G. Unilife files US patents for "world first" RTF vacc syringe; mulls Nasdaq listing. in-Pharma Technologist.com, Nov 30, 2009.

Figure 5. Architect's Drawing of the New Manufacturing Plant and Office Complex

Source: Unilife Medical Solutions

Construction of the first phase of the building, which will provide 165,000 square feet of space, commenced in December. Thus, the company was able to hold the cost to \$25.5 million, about 30% less than two years earlier, by initiating construction during an economically weak period. Plans call for the shell to be completed in the second quarter and for clean rooms that will house the production lines to be installed during the summer. That should leave sufficient time for a 60 million unit pilot line to be set up for production of the Unifill fixed needle syringes by year end. (This capacity is based on three shifts and adequate downtime to permit servicing.) The equipment is already on order from Mikron Holding AG, an experienced supplier of automated assembly machinery, and Unilife has identified the suppliers it will use for its syringe components. Thus, the new manufacturing plant should be ready to ship initial batches of the syringes to sanofi-aventis in early 2011, as proscribed in their industrialization agreement.

Unilife will utilize several sources of funds to finance the \$25.5 million facility. First, the Company intends to invest \$9 million of its cash on hand in the plant. (In late October, Unilife raised A\$53.6 million via an equity offering in Australia and the United States.) In addition, the State of Pennsylvania has agreed to provide \$5.6 million to help finance the building and to train new employees. The Company has received term sheets from three banks for the remainder at Libor plus 2%. We estimate that the Company will close 2010 with about \$16 million of debt (less than 25% of total capital) on its balance sheet.

INVESTMENT CONCERNS AND RISKS

For a complete description of risks and uncertainties related to Unilife Medical Solutions business, see Unilife's Annual Reports, which can be accessed directly from the Company's website, www.unilife.com. Potential risks include:

- **Stock risk and market risk:** There is a limited trading market for the Company's common stock. There can be no assurance that the Company's shares will be registered in the United States and that an active and liquid trading market will develop or, if developed, that it will be sustained, which could limit one's ability to buy or sell the Company's common stock at a desired price. Investors should also consider technical risks common to many small-cap or micro-cap stock investments, such as small float, risk of dilution, dependence upon key personnel, and the strength of competitors that may be larger and better capitalized.
- **Competitive risk:** The medical device market continues to evolve, and research and development are expected to continue. Other companies are already established players in the needle & syringe market and are actively engaged in the development of new safety devices that may directly or indirectly compete with those being pursued by Unilife. These companies may have substantially greater research and development capabilities, as well as significantly greater marketing, financial, and human resources than Unilife.
- **Products still in development phases:** The Company's ready-to-fill syringes and many other models are still at a precommercialization stage. Such products may appear to be promising, but may not reach commercialization for various reasons, including failure to achieve regulatory approvals with customers' drugs, reliability concerns, and/or the inability to be manufactured at a reasonable cost. And even if its products are commercialized, there can be no assurance that they will be accepted, which may prevent the Company from becoming profitable.
- **Funding requirements:** It is difficult to predict Unilife's future capital requirements. The Company may need additional financing to continue funding the development of its products and their production. There is no guarantee that it can secure the desired future capital or, if sufficient capital is secured, that current shareholders will not suffer significant dilution.
- **Regulatory risk:** There is no guarantee that Unilife's products will be approved by the U.S. Food and Drug Administration (FDA) or international regulatory bodies for marketing in the U.S. or abroad.
- **Patent risk:** The medical device industry is one in which patents have not always provided sufficient protection against competition. Moreover, the sector has had sizable patent disputes that have resulted in large settlement awards. There can be no assurance that Unilife's patents will provide sufficient protection against competitors and that patent litigation will not become a financial burden.

FINANCIAL FORECASTS & VALUATION

We have applied two valuation methods in assessing Unilife's business prospects. Both are based on the assumptions regarding the Company's planned build-out of its manufacturing capacity through 2015. One model is our traditional discounted cash flow (DCF) valuation in which we ascribe probabilities to certain key events occurring as we have assumed. (The probabilities, which are modeled from academic research of success rates in the drug industry, are then used to weight the profit contribution from each production line.) The second valuation method follows another common approach, in which a suitable P/E ratio is applied to corporate earnings in 2015 to determine a future price of Unilife shares and then discounts that price back to 2010. **NOTE: All estimates are in U.S. dollars.**

SALES PROJECTIONS

Our sales projections are built off of Unilife plans for seven manufacturing lines to support commercial shipments of its Unifill syringes. Our estimates reflect the manufacturing capacities of the following planned additions and their approximate start-up times as shown in Table 1:

Table 1. Projected Production Line Additions

Start-up Date	Working Capacity (in millions of units/yr)	Probability Weighting for our DCF model
2010 **	40	95%
2010	60	95%
2011	150	75%
2012 #	150	40%
2013	150	25%
2014 #	150	25%
2015	150	10%

** The 40 million unit capacity line refers to Unitract 1 mL production. All other start-up dates are for Unifill syringe production lines. # The 2012 and 2014 production lines are assumed to be dedicated to the Unifill Select.

Each line's working capacity (as shown in Table 1) takes into account an inability to operate the equipment at full speed continuously and time required for maintenance. We have assumed that each line will be run in 24/7 mode to optimize utilization. Finally, we've assumed the prices of the Unitract and Unifill fixed-needle syringes are \$0.40 and \$0.85 upon launch, respectively. The Unifill syringe price is an average approximation, though, since we expect sanofi-aventis will receive preferential pricing for large-volume purchases, while other clients will likely pay a higher price (20% to 50% more) for smaller orders. We've also assumed the Unifill Select is launched in 2013 at an average price of \$1.00. A modest, 2% annual price increase for each syringe brand is applied to offset higher supply costs incurred by Unilife.

For 2010 and 2011, we estimate that revenues (in millions) are generated from the following sources:

Revenue source	2010	2011
Collaboration agreements	\$6	\$3
Unifill syringe sales		\$34
Unitract 1 mL sales	\$7	\$11
Contract mfg.	\$3	\$5

Note: Unilife has switched from a fiscal year ending on June 30th to a calendar-year reporting basis as of January 1, 2010. During the interim six months, we estimate that the Company will book revenue of roughly \$7.5 million and a loss of about \$4 million. In the September quarter, revenues totaled \$3.1 million and the net loss was \$2.1 million

INCOME STATEMENT (All data are in thousands of U.S. dollars, except per-share figures.)
(All accounting periods are presented on a calendar-year basis.)

	2010	2011	2012	2013	2014	2015
Total revenue	\$ 16,000	\$ 53,781	\$ 170,016	\$ 275,717	\$ 405,084	\$ 566,067
COGS	5,200	26,000	90,859	143,904	208,233	288,285
Gross profit	\$ 10,800	\$ 27,781	\$ 79,156	\$ 131,813	\$ 196,851	\$ 277,782
Operating expenses						
R&D	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,500	\$ 3,000	\$ 4,000
SG&A	16,000	16,500	16,500	16,500	17,000	17,500
Total expense	18,000	18,500	18,500	19,000	20,000	21,500
Operating profit	\$ (7,200)	\$ 9,281	\$ 60,656	\$ 112,813	\$ 176,851	\$ 256,282
Non-operating income/expense						
Interest expense	-160	-1000	-1000	-1000	-1000	-1000
Interest income	400	300	750	1250	1250	1250
Other						
Total non-operating	240	(700)	(250)	250	250	250
Pretax profit	\$ (6,960)	\$ 8,581	\$ 60,406	\$ 113,063	\$ 177,101	\$ 256,532
Income tax			7,853	42,964	67,298	97,482
Net income	\$ (6,960)	\$ 8,581	\$ 52,554	\$ 70,099	\$ 109,803	\$ 159,050
Earnings (loss) per share	\$ (0.02)	\$ 0.03	\$ 0.14	\$ 0.19	\$ 0.30	\$ 0.43
Diluted shares outstanding	309,000	315,000	368,000	368,000	368,000	368,000

Expense Assumptions

□ Cost of Goods Sold:

We have used the following ranges for production costs related to the two syringe brands:

- Unitract 1ml: 62% initially and declining gradually to 55%.
- Unifill fixed-needle syringe: 53% initially and gradually declining to 48% over 14 years.
- Unifill Select syringe: 50% initially and declining over the next 15 years to 45%.

The reason for the improvement in gross profit margins stems from an assumption that the Company will receive better supply prices as its own production volumes increase. Another factor weighing in its favor is the use of glass tubing as a starting material for its ready-to-fill syringes, rather than sourcing completed glass barrels. This probably ensures better pricing, since there are only a few suppliers of barrels, but numerous suppliers of tubing to medical device manufacturers worldwide.

□ R&D Expense:

For 2010 and 2011, we estimate that development costs amount to \$2 million per year, since Unilife has already created its prototypes of its Unitract and Unifill syringes. Starting in 2016, our projections reflect an assumption that the company engages in the development of new products, with annual costs amounting to 3% of gross profit.

□ Selling, General, & Administrative Expense:

Unilife has added experienced staff to its headquarters in the past 12 months, and with the planned move into the new manufacturing plant/headquarters in 2010, the Company expects to add about 100 employees annually in the foreseeable future. As a result, we expect SG&A costs to total about \$14 million in 2010 and \$16.5 million in 2011. We estimate these expenses will continue to trend upward through 2015 before amounting to 7% of gross profits, starting in 2016.

□ Non-operating Income/Expense:

We've assumed that Unilife completes the financing for its new building before year end and raises

additional capital via an equity financing in 2011. Interest income from cash on the balance sheet should help to offset some of the interest expense. In sum, we're not expecting any large, net changes in non-operating items.

□ **Tax Liabilities:**

Our estimates reflect tax liabilities booked for financial reporting purposes, not tax purposes. As such, we've applied an initial tax rate of 13% to the first year in which operations turn profitable and a 38% rate to subsequent years. Unilife will not pay these full amounts, though, as it had net operating loss carryforwards to offset U.S. federal and state tax liabilities in the amount of \$6.3 million and NOLs of \$17.6 million in Australia, where its patents are "domiciled" and much of its corporate income will be recorded. The NOL offsets, approximating \$23.9 million at the end of fiscal 2009 (ended June 30th), are taken into consideration in calculating annual cash flows for our DCF model, but not in the Income Statement presentation.

□ **Shares Outstanding:**

Our estimates are based on the actual shares outstanding, as reported in the Company's Form 10, filed with the SEC, and in the Scheme of Arrangement, filed with the Australian Federal Court. Hence, the estimated shares outstanding do not take into consideration the 1-for-6 stock swap that will be effected whenever stockholders choose to obtain Nasdaq-listed Unilife shares.

HISTORICAL BALANCE SHEET # (All data are in thousands of U.S. dollars.)

ASSETS	9/30/2009	6/30/2009
Current Assets		
Cash & equivalents	4,046	3,627
Accounts Receivable	2,515	7,333
Inventory	1,613	1,097
Other	322	223
Total Current Assets	<u>\$ 8,496</u>	<u>\$ 12,280</u>
Property & equipment	\$ 10,867	\$ 9,137
Intangible assets	11,036	10,278
Other	314	517
Total Assets	<u>\$ 30,713</u>	<u>\$ 32,212</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 567	\$ 1,103
Debt due	405	405
Accrued expenses	5,803	6,097
Deferred revenue	2,866	2,642
Total Current Liabilities	<u>\$ 9,641</u>	<u>\$ 10,247</u>
Long-term debt	\$ 2,586	\$ 2,728
Deferred revenue	7,880	7,926
Total Long-Term Liabilities	<u>\$ 10,466</u>	<u>\$ 10,654</u>
Shareholders Equity		
Common stock	370	366
Additional paid-in-capital	59,041	57,987
Accumulated Deficit	(51,966)	(49,902)
Accum. Comprehensive Income	3,161	2,860
Total Shareholders Equity	<u>\$ 10,606</u>	<u>\$ 11,311</u>
Total liabilities & equity	<u>\$ 30,713</u>	<u>\$ 32,212</u>

Data do not reflect an equity financing completed in late October that raised approximately \$49 million.

CASH FLOW REQUIREMENTS**□ Capital Expenditures**

Our estimates are based largely on Unilife's plans to add six production lines for its Unifill syringes between 2010 and 2016, as presented in Table 2. Equipment for the first, with an annual capacity of 60 million units/year, has been ordered from an experienced manufacturer of automated assembly lines. The new manufacturing plant/office complex and production equipment will comprise most of the Company's capital expenditure budgets through 2016, aside from normal maintenance costs. Accordingly, our cash flow model includes annual capital expenditures of \$27 million, \$14 million, \$24 million, \$18 million, and \$22 million in 2010 through 2014, respectively.

DISCOUNTED PRICE MODEL

We have used two approaches to valuing Unilife shares a discounted price model and a DCF valuation model. In the discounted price model, we applied a price/earnings ratio of 30 to our estimate of the Company's earnings in 2015 (\$0.43 per share) and discounted that price back to the present, using a discount rate of 35. This approach yielded a share price of approximately \$2.85, which is similar to the results obtained from our DCF valuation model, shown on the next page.

DISCOUNTED CASH FLOW ANALYSIS (All data are in thousands of U.S. dollars, except per-share figures.)

	2010	2011	2012	2013	2014	2015
Revenue	\$ 16,000	\$ 53,781	\$ 170,016	\$ 275,717	\$ 405,084	\$ 566,067
Operating income	-7200	9281	60656	112813	176851	256282
Net income	-6960	8581	52554	70099	109803	159050
Depreciation/amortization	1200	1900	4450	7100	10000	12750
Stock-based compensation	1500	1000	1000	1000	1000	1250
Tax loss carryforwards	0	0	7853	16047	0	0
Capital expenditures	-27000	-14000	-24000	-18000	-22000	-33000
Asset purchases						
Other						
Total cash flow adjustments	(24,300)	(11,100)	(10,697)	6,147	(11,000)	(19,000)
Free cash flow	\$ (31,260)	\$ (2,519)	\$ 41,856	\$ 76,246	\$ 98,803	\$ 140,050
Risk-adjusted free cash flow	\$ (31,260)	\$ (2,519)	\$ 34,283	\$ 53,772	\$ 58,727	\$ 81,100

Discount Rate	Discounted Cash Flows (2009 - 2024)	PV of Terminal Value at a					
		Perpetual growth rate of rFCF			Enterprise Value		
		2.0%	3.0%	4.0%	2.0%	3.0%	4.0%
7.5%	\$870,382	\$ 1,218,012	\$ 1,503,276	\$ 1,951,548	\$2,088,394	\$2,373,658	\$2,821,930
10.0%	\$687,482	\$ 593,145	\$ 684,526	\$ 806,367	\$1,280,627	\$1,372,008	\$1,493,849
12.5%	\$548,708	\$ 322,600	\$ 360,053	\$ 406,319	\$871,308	\$908,761	\$955,027
15.0%	\$442,188	\$ 187,383	\$ 204,988	\$ 225,795	\$629,571	\$647,176	\$667,983
17.5%	\$359,520	\$ 113,826	\$ 122,869	\$ 133,252	\$473,346	\$482,388	\$492,771

Discount Rate	Net Debt	Total Equity Value			Value per Diluted Share		
		2.0%	3.0%	4.0%	2.0%	3.0%	4.0%
7.5%	\$ (1,055)	\$2,089,449	\$2,374,713	\$2,822,985	\$ 5.68	\$ 6.45	\$ 7.67
10.0%	(1,055)	\$1,281,682	\$1,373,063	\$1,494,904	\$ 3.48	\$ 3.73	\$ 4.06
12.5%	(1,055)	\$872,363	\$909,816	\$956,082	\$ 2.37	\$ 2.47	\$ 2.60
15.0%	(1,055)	\$630,626	\$648,231	\$669,038	\$ 1.71	\$ 1.76	\$ 1.82
17.5%	(1,055)	\$474,401	\$483,443	\$493,826	\$ 1.29	\$ 1.31	\$ 1.34

Discount Rate	Terminal Value as % Enterprise Value			Implied EBITDA Multiple		
	2.0%	3.0%	4.0%	2.0%	3.0%	4.0%
7.5%	58.3%	63.3%	69.2%	11.62	14.34	18.62
10.0%	46.3%	49.9%	54.0%	7.99	9.22	10.86
12.5%	37.0%	39.6%	42.5%	6.09	6.79	7.67
15.0%	29.8%	31.7%	33.8%	4.92	5.38	5.93
17.5%	24.0%	25.5%	27.0%	4.12	4.45	4.83

Assumptions related to the Discounted Cash Flow Analysis:

- The DCF model projects cash flow through 2025, discounted back at multiple annual rates (7.5%, 10.0%, 12.5%, 15.0%, and 17.5%) to demonstrate the potential variability related to this assumption. It also includes three perpetual growth rates (2%, 3%, and 4%) to show the impact on the present value of the company's terminal value. The rates used in calculating the per-share value for Unilife Medical Solutions are a 12.5% annual discount rate and a perpetual growth rate of 3%. The number of fully-diluted shares estimated to be outstanding in 2015, 368 million, is used in the per-share calculation.
- The cash flows are risk adjusted, based on the proportional gross profit contribution by each production line on an annual basis and the probability of that line starting up as projected.

DISCLOSURES

ANALYST(S) CERTIFICATION: The analyst(s) responsible for covering the securities in this report certify that the views expressed in this research report accurately reflect their personal views about Lpath, Inc. (the “Company”) and its securities. The analyst(s) responsible for covering the securities in this report certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation or view contained in this research report.

MEANINGS OF RATINGS: Our rating system is based upon 12 to 36 month price targets. **BUY** describes stocks that we expect to appreciate by more than 20%. **HOLD** describes stocks that we expect to change plus or minus 20%. **SELL** describes stocks that we expect to decline by more than 20%. **SC** describes stocks that Griffin Securities has **Suspended Coverage** of this Company and price target, if any, for this stock, because it does not currently have a sufficient basis for determining a rating or target and/or Griffin Securities is redirecting its research resources. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. **NR** describes stocks that are **Not Rated**, indicating that Griffin Securities does not cover or rate this Company.

DISTRIBUTION OF RATINGS: Currently Griffin Securities has assigned BUY ratings or NO RATINGS on all of the companies it covers. The Company has provided investment-banking services for 40% of companies in which it has had BUY ratings in the past 12 months, 0% for companies in which it has had NR or no coverage in the past 12 months or has suspended coverage (SC) in the past 12 months.

MARKET MAKING: Griffin Securities does not maintain a market in the shares of this Company or any other Company mentioned in the report.

COMPENSATION OR SECURITIES OWNERSHIP: The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Griffin Securities, including profits derived from investment banking revenue. The analyst(s) that prepared the research report did not receive any compensation from the Company or any other companies mentioned in this report in connection with the preparation of this report. Keith A. Markey, one of the analysts responsible for covering the securities in this report, currently owns common stock in the Company, and in the future the analyst(s) may from time to time engage in transactions with respect to the Company or other companies mentioned in the report. Griffin Securities from time to time in the future may request expenses to be paid for copying, printing, mailing and distribution of the report by the Company and other companies mentioned in this report. During the past 12 months, Griffin Securities acted as a placement agent for the Company’s private placement of equity and received cash compensation and warrants for such investment banking services. Griffin Securities expects to receive, or intends to seek, compensation for investment banking services from the Company in the next three months.

PRICE CHART – 2-YEAR



Source: Big Charts

FORWARD-LOOKING STATEMENTS: This Report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the “Risk Factors” section in the SEC filings available in electronic format through SEC Edgar filings at www.SEC.gov on the Internet.

GENERAL: Griffin Securities, Inc. (“Griffin Securities”) a FINRA (formerly known as the NASD) member firm with its principal office in New York, New York, USA is an investment banking firm providing corporate finance, merger and acquisitions, brokerage, and investment opportunities for institutional, corporate, and private clients. The analyst(s) are employed by Griffin Securities. Our research professionals provide important input into our investment banking and other business selection processes. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Griffin Securities may from time to time perform corporate finance or other services for some companies described herein and may occasionally possess material, nonpublic information regarding such companies. This information is not used in preparation of the opinions and estimates herein. While the information contained in this report and the opinions contained herein are based on sources believed to be reliable, Griffin Securities has not independently verified the facts, assumptions and estimates contained in this report. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

The information contained herein is not a complete analysis of every material fact in respect to any company, industry or security. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Griffin Securities. It does not take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. Certain transactions - including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. The information contained in this report is subject to change without notice and Griffin Securities assumes no responsibility to update the report. In addition, regulatory, compliance, or other reasons may prevent us from providing updates.

DISCLOSURES FOR OTHER COMPANIES MENTIONED IN THIS REPORT: To obtain applicable current disclosures in electronic format for the subject companies in this report, please refer to SEC Edgar filings at www.SEC.gov. In particular, for a description of risks and uncertainties related to subject companies’ businesses in this report, see the “Risk Factors” section in the SEC filings.