

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of May 2007

Commission File Number 000-51122

pSivida Limited

(Translation of registrant's name into English)

Level 12 BGC Centre
28 The Esplanade
Perth WA 6000

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F).

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ____.

The documents attached as [Exhibit 99.1](#), [Exhibit 99.2](#), [Exhibit 99.3](#), [Exhibit 99.4](#), [Exhibit 99.5](#), [Exhibit 99.6](#) and [Exhibit 99.7](#) to this Report on Form 6-K are hereby incorporated by reference herein and into the following registration statements: (i) the Registrant's Registration Statement on Form F-3, Registration No. 333-132776; (ii) the Registrant's Registration Statement on Form F-3, Registration No. 333-132777; (iii) the Registrant's Registration Statement on Form F-3, Registration No. 333-135428; (iv) the Registrant's Registration Statement on Form F-3, Registration No. 333-141083; and (v) the Registrant's Registration Statement on Form F-3, Registration No. 333-141091.

SIGNATURE

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

Date: May 16, 2007

pSivida Limited

By: /s/ Michael J. Soja

Michael J. Soja
Vice President of Finance and Chief Financial Officer

EXHIBIT INDEX

<u>EXHIBIT 99.1</u>	Supplemental disclosure of pSivida Limited, related to the Amended and Restated Second Amendment Agreement, dated May 15, 2007
<u>EXHIBIT 99.2</u>	Amended and Restated Second Amendment Agreement dated May 15, 2007
<u>EXHIBIT 99.3</u>	Second Amended and Restated Registration Rights Agreement
<u>EXHIBIT 99.4</u>	Series D Warrants
<u>EXHIBIT 99.5</u>	Series E Warrants
<u>EXHIBIT 99.6</u>	Series F Warrants
<u>EXHIBIT 99.7</u>	Series G Warrants

SUPPLEMENTAL DISCLOSURE OF PSIVIDA LIMITED, DATED MAY 15, 2007, RELATED TO THE AMENDED AND RESTATED SECOND AMENDMENT AGREEMENT, DATED AS OF MAY 15, 2007.

THIS SUPPLEMENTAL DISCLOSURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES DESCRIBED HEREIN.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM REGISTRATION REQUIREMENTS.

IN ACCORDANCE WITH GENERAL INSTRUCTION B OF FORM 6-K, THE INFORMATION SET FORTH IN THIS SUPPLEMENTAL DISCLOSURE SHALL NOT BE DEEMED TO BE "FILED" FOR PURPOSES OF SECTION 18 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), OR OTHERWISE SUBJECT TO THE LIABILITIES OF THAT SECTION, NOR SHALL SUCH INFORMATION BE DEEMED INCORPORATED BY REFERENCE IN ANY FILING UNDER THE SECURITIES ACT OR THE EXCHANGE ACT, EXCEPT AS SHALL BE EXPRESSLY SET FORTH BY SPECIFIC REFERENCE IN SUCH A FILING. THE INFORMATION SET FORTH IN THIS SUPPLEMENTAL DISCLOSURE SHALL NOT BE DEEMED AN ADMISSION AS TO THE MATERIALITY OF ANY INFORMATION IN THIS SUPPLEMENTAL DISCLOSURE.

The following is a summary of the terms of the transactions contemplated by the Amended and Restated Second Amendment Agreement. This summary is not intended to be complete and is qualified in its entirety by reference to the attachments to this Supplemental Disclosure.

1. Amendment Agreement

pSivida Limited ("pSivida") and an institutional investor (the "Investor") entered into an Amended and Restated Second Amendment Agreement dated as of May 15, 2007 (the "Second Amendment Agreement"), providing for, among other things, the redemption of the Amended and Restated Subordinated Convertible Note, dated November 16, 2005 (the "Existing Notes"), purchased in connection with the Securities Purchase Agreement, dated October 5, 2005, by and between the same parties. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Second Amendment Agreement and, if not defined therein, the Existing Notes.

Under the Second Amendment Agreement, pSivida will redeem the Existing Notes and issue: (i) the Series D Warrants which shall be exercisable at \$2.00 per ADS to purchase Four Million (4,000,000) ADSs, (ii) the Series E Warrants which shall be exercisable at \$1.57 per ADS to purchase Four Million (4,000,000) ADSs, (iii) the Series F Warrants which shall be exercisable at \$1.95 per ADS to purchase One Million (1,000,000) ADSs and (iv) the Series G Warrants which shall be exercisable at \$1.21 per ADS to purchase Two Million Three Hundred Forty One Thousand Three Hundred Forty Seven (2,341,347) ADSs and amend and restate the existing registration rights agreement, and waive any penalties incurred as a result of the delay in effectiveness of the registration statement filed in connection with the existing Registration Rights Agreement.

Under the Second Amendment Agreement, the Investor has agreed to surrender the Existing Notes to pSivida, terminate and waive all rights associated with (i) the security interest granted by pSivida on the Collateral for the benefit of the holders of the Existing Notes, (ii) the Guaranty by pSivida in favor of the Investor, and (iii) the Subordination Agreements. In addition, the Interest Payment Amount shall be deemed paid in full to the Investor, the Investor shall waive all defaults and Events of Default under the Existing Notes and Transaction Documents and shall release pSivida from all obligations under the Existing Notes.

The Second Amendment Agreement is furnished on the Form 6-K to which this Supplemental Disclosure is also an Exhibit.. The Second Amendment Agreement contains representations and warranties that pSivida and the Investor made to each other as of the date of the Second Amendment Agreement or other specific dates, and such representations and warranties should not be relied upon by any other person.

2. Warrants:

The following is a summary of the terms of the warrants:

- The warrants constitute options to acquire ADSs at any time on or before the fifth anniversary of the issuance of the warrant.
- The per ADS exercise price under the warrant may be adjusted under certain circumstances, including, among others, in the event pSivida issues securities at a lower price than the price at which the warrant may be exercised or pSivida makes a pro rata issuance to shareholders.
- There is a limit of 4.99% in respect of the Investor and its affiliates' beneficial ownership in pSivida, which may prevent it from exercising part of the warrant (this limit may be increased or decreased by the Investor upon written notice to pSivida).
- If there is a fundamental transaction (such as a transaction which involves a change in control of pSivida or a transfer of substantially all of its assets), pSivida will use its best endeavors to procure that the successor entity assumes all of the obligations of pSivida under the warrant.

The Series D, Series E, Series F and Series G Warrants are furnished on the Form 6-K to which this Supplemental Disclosure is also an Exhibit.

3. Second Amended and Restated Registration Rights Agreement:

- Under the Second Amended and Restated Registration Rights Agreement, pSivida has agreed to register the ordinary shares underlying the Series A Warrant Shares, the Series C Warrant Shares, the Series D Warrant Shares, the Series E Warrant Shares, the Series F Warrant Shares, the Series G Warrant Shares and any shares of capital stock issued or issuable with respect to the Series A Warrant Shares, the Series C Warrant Shares, the Series D Warrant Shares, the Series E Warrant Shares or the Series F Warrant Shares or the Series G Warrant Shares as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise.

The Second Amended and Restated Registration Rights Agreement is furnished on the Form 6-K to which this Supplemental Disclosure is also an Exhibit.

**AMENDED AND RESTATED
SECOND AMENDMENT AGREEMENT**

AMENDED AND RESTATED SECOND AMENDMENT AGREEMENT (the "**Agreement**"), dated as of May 15, 2007, by and among pSivida Limited, an Australian corporation, with headquarters located at Level 12, BGC Centre, 28 The Esplanade, Perth, WA 6000 Australia (the "**Company**"), and Castlerigg Master Investments Ltd. (the "**Investor**").

WHEREAS:

A. The Company and the Investor are parties to that certain Securities Purchase Agreement, dated as of October 5, 2005 (as amended prior to the date hereof, the "**Existing Securities Purchase Agreement**"), pursuant to which, among other things, the Investor purchased from the Company (i) subordinated convertible notes, dated November 16, 2005 (the "**Original Notes**"), which are convertible in accordance with their terms into American Depositary Shares of the Company ("**ADSs**") each of which represents 10 ordinary shares of the Company (the "**Ordinary Shares**") and is evidenced by an American Depositary Receipt ("**ADR**") and (ii) warrants (the "**Original Warrants**"), which are exercisable to purchase 633,803 ADSs (the "**Original Warrant Shares**").

B. On November 16, 2005, the Company and the Investor entered into a Registration Rights Agreement (the "**Original Registration Rights Agreement**"), pursuant to which the Company agreed to provide certain registration rights with respect to the Registrable Securities (as defined in the Original Registration Rights Agreement) under the Securities Act of 1933, as amended (the "**1933 Act**"), and the rules and regulations promulgated thereunder, and applicable state securities laws.

C. The Company and the Investor are also parties to that certain Amendment Agreement, dated as of July 28, 2006 (the "**Amendment Agreement**"), pursuant to which, among other things, on September 14, 2006, (i) the Company paid to the Investor the Amendment Payment Amount (as defined in the Amendment Agreement); (ii) the Company issued to the Investor amended and restated notes (the "**Existing Notes**"), convertible into ADSs, in accordance with the terms thereof; (iii) the Company issued to the Investor Series A Warrants (the "**Series A Warrants**") exercisable to purchase 5,700,000 ADSs (the "**Series A Warrant Shares**"), in accordance with the terms thereof; (iv) the Company agreed to issue to the Investor warrants exercisable to purchase ADSs (the "**Series B Warrants**") from time to time in accordance with the terms of the Existing Notes; (v) the Company and the Investor entered into the Amended and Restated Registration Rights Agreement (the "**Existing Registration Rights Agreement**"), pursuant to which the Company has agreed to provide certain registration rights with respect to the Registrable Securities (as defined in the Existing Registration Rights Agreement) under the 1933 Act, and the rules and regulations promulgated thereunder, and applicable state securities laws; (vi) the Company redeemed \$2.5 million in principal amount of the Original Notes.

D. In connection with that certain Letter Agreement, by and between the Company and the Investor, dated October 17, 2006 (the "**Letter Agreement**"), the Company agreed to make certain payments to the Investor, and the Company and the Investor agreed (i) to amend certain of the provisions of the Existing Registration Rights Agreement in connection with the Registration Statement on Form F-3 (SEC File No. 333 132777) registering 12,737,139 ADSs issuable to the Investor and (ii) to pay the Investor US\$800,000 pursuant to Section 3(a) of the Letter Agreement (the "**Letter Agreement Payment Amount**");

E. As of December 29, 2006, the Company and the Investor entered into the Second Amendment Agreement, pursuant to which, among other things (i) the Company and the Investor agreed to amend and restate the Existing Notes; (ii) the Company issued Series C Warrants in the form attached hereto as Exhibit B (the "**Series C Warrants**") and together with the Original Warrants and the Series A Warrants, the "**Existing Warrants**") exercisable to purchase One Million and Five Hundred Thousand (1,500,000) ADSs (the "**Series C Warrant Shares**", and collectively with the Original Warrant Shares and the Series A Warrant Shares, the "**Existing Warrant Shares**"), in accordance with the terms thereof; (iii) the Company agreed to issue Series D Warrants in the form attached hereto as Exhibit C (the "**Series D Warrants**") exercisable to purchase Four Million (4,000,000) ADSs (the "**Series D Warrant Shares**") for US\$2.00 per ADS; (iv) the parties agreed to further amend and restate the Existing Registration Rights Agreement and (v) the Company agreed to increase the principal amount of the Existing Notes by \$306,391 (the "**Note Increase Amount**"), which shall constitute payment in full to the Investor of any accrued and unpaid interest on the Existing Notes of the Investor, which was payable on or prior to January 2, 2007 under the terms of the Existing Notes to the Investor (the "**Interest Payment Amount**").

F. The Company and the Investor now desire to amend and restate in its entirety the Second Amendment Agreement to reflect the terms of the parties binding letter of intent, dated April 2, 2007 and other agreements between them, pursuant to which, among other things, (i) the Company shall redeem the Existing Notes as set forth herein; (ii) the Company shall issue, upon the terms and conditions stated in this Agreement, the Series D Warrants which shall be exercisable to purchase the Series D Warrant Shares, (iii) the Company shall issue, upon the terms and conditions stated in this Agreement, the Series E Warrants (the "**Series E Warrants**") which shall be exercisable to purchase Four Million (4,000,000) ADSs (the "**Series E Warrant Shares**") for US\$1.57 per ADS, the Series F Warrants (the "**Series F Warrants**") which shall be exercisable to purchase One Million (1,000,000) ADSs (the "**Series F Warrant Shares**") for US\$1.95 per ADS and the Series G Warrants (the "**Series G Warrants**") and together with the Series D Warrants, the Series E Warrants and the Series F Warrants, the "**New Warrants**") which shall be exercisable to purchase Two Million Three Hundred Forty One Thousand Three Hundred Forty Seven (2,341,347) ADSs (the "**Series G Warrant Shares**" and together with the Series D Warrant Shares, the Series E Warrant Shares and the Series F Warrant Shares, the "**New Warrant Shares**") for US\$1.21 per ADS, in each case, in the form attached hereto as Exhibit C in accordance with the terms thereof; (iv) the parties hereto will further amend and restate the Existing Registration Rights Agreement in the form attached hereto as Exhibit D (the "**Second Amended and Restated Registration Rights Agreement**"); and (v) the Investor shall waive all prior and existing defaults and Event of Default and other rights.

G. The issuance of the Series C Warrants was, and the issuance of the Series D Warrants, the Series E Warrants, the Series F Warrants and the Series G Warrants is being, made in reliance upon an exemption from registration under the 1933 Act.

H. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Amended Securities Purchase Agreement (as defined below) and, if not defined therein, the Existing Notes.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the Company and the Investor hereby agree as follows:

1. CLOSING. At the closing contemplated by this Agreement (the "**Closing**"):

(a) Warrants. The Company shall issue and deliver to the Investor the Series D Warrants, the Series E Warrants, the Series F Warrants and the Series G Warrants;

(b) Redemption of the Existing Notes. Notwithstanding Section 10 of the Existing Notes and the Company Optional Redemption Date specified in the Company's Company Optional Redemption Notice issued to the Investor on April 3, 2007 or any other provision in the Existing Notes or the Transaction Documents to the contrary, the Company shall, and the Investor shall permit the Company to, redeem all of the Existing Notes by making the following payment to the Investor in satisfaction of the Company Optional Redemption Price (collectively, the "**Redemption Payment**"):

(i) the Company Optional Redemption Price, computed in accordance with the terms of the Existing Notes;

(ii) the Note Increase Amount; and

(iii) the difference between (A) US\$13,750,000 and (B) the sum of (i) and (ii).

(c) Surrender of Existing Notes. The Investor shall surrender the Existing Notes to the Company;

(d) Waivers and Release. Effective upon the Closing and payment of the Redemption Payment:

(1) (A) The security interest granted by the Company on the Collateral for the benefit of the holders of the Existing Notes in accordance with the terms of the Security Documents, (B) the Guaranty by pSivida Inc. in favor of the Investor (the "**Guaranty**"), and (C) the Subordination Agreements by and among the Investor, the Company and the holders of the Company's subordinated convertible notes issued on September 26, 2006 (the "**Subordination Agreements**") shall each be terminated; the Investor hereby waives any and all rights pursuant to each of them; and the Investor shall take any action required pursuant to the terms of the Security Documents, the Guaranty and the Subordination Agreements to release any and all

security interests on the Collateral and terminate the Guaranty and the Subordination Agreements;

(2) The Interest Payment Amount shall be deemed paid in full to the Investor; and

(3) (A) The Existing Notes shall be deemed fully redeemed; (B) the Investor shall be deemed to have permanently and irrevocably waived all defaults and Events of Default (including any conditions with respect to which the giving of notice or passage of time would lead to a default of an Event of Default) under: (I) the Existing Notes and (II) the Transaction Documents (including, without limitation, the waivers described in Section 2 hereof), in each case, up to and including the Closing Date; and (C) the Company shall have no further obligations under the Existing Notes (including, without limitation, any obligation to issue Series B Warrants in connection with the redemption of the Existing Notes or otherwise).

(e) Ratifications. Except as otherwise expressly provided herein, (i) the Existing Securities Purchase Agreement as amended hereby (the "**Amended Securities Purchase Agreement**"), the Existing Warrants and the Irrevocable Transfer Agent Instructions are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, except that on and after the Closing Date (A) all references in the Existing Securities Purchase Agreement to "this Agreement", "hereto", "hereof", "hereunder" or words of like import referring to the Existing Securities Purchase Agreement shall mean the Amended Securities Purchase Agreement, (B) all references in the Transaction Documents to "this Agreement", "hereto", "hereof", "hereunder" or words of like import referring to the Existing Registration Rights Agreement or the Original Registration Rights Agreement shall mean the Second Amended and Restated Registration Rights Agreement, (C) all references in the other Transaction Documents to the "Registration Rights Agreement", "Amended and Restated Registration Rights Agreement", "thereto", "thereof", "thereunder" or words of like import referring to the Existing Registration Rights Agreement or Original Registration Rights Agreement shall mean the Second Amended and Restated Registration Rights Agreement, (D) all references in the Securities Purchase Agreement and the other Transaction Documents to "Transaction Documents" shall also include this Agreement and the New Warrants, (E) all references in the Securities Purchase Agreement and the other Transaction Documents to "Notes" or "Amended and Restated Notes" shall continue to mean the Existing Notes, (F) all references in the existing Securities Purchase Agreement and the other Transaction Documents to "Warrants" shall be amended to include the New Warrants, and (G) all references in the Securities Purchase Agreement and the other Transaction Documents to "Warrant Shares" shall be amended to include the New Warrant Shares in addition to the Existing Warrant Shares, and (ii) except as expressly stated herein or as is otherwise necessary in the context of the terms and conditions hereof, the execution, delivery and effectiveness of this Agreement shall not operate as an amendment of any right, power or remedy of the Investor under any Transaction Document, nor constitute an amendment of any provision of any Transaction Document.

(f) Closing Date. The date and time of the Closing (the "**Closing Date**") shall be as of 1:00 p.m., New York Time, on the date of this Agreement, or as of such time and date as otherwise mutually agreed by the parties. The Closing shall be deemed to have

occurred at the offices of Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022.

2. WAIVERS.

(a) Registration Delay Waivers.

(i) Effective as of the Closing Date, the Investor hereby agrees to permanently waive its right to receive the unpaid Registration Delay Payments (as defined in the Existing Registration Rights Agreement) and all other remedies and rights accrued as a result of (A) the Company's failure to file the Additional Registration Statement (as defined in the Existing Registration Rights Agreement) on or prior to the Additional Filing Deadline (as defined in the Existing Registration Rights Agreement) or (B) the Company's failure to achieve effectiveness of the Additional Registration Statement (as defined in the Existing Registration Rights Agreement) on or prior to the Additional Effectiveness Deadline (as defined in the Existing Registration Rights Agreement), respectively; provided, however, that nothing in this Section 2(a) shall be deemed to waive or amend the Company's obligation, effective as of the Closing Date, to (X) file the Additional Registration Statement (as defined in the Second Amended and Restated Registration Rights Agreement) on or prior to the Additional Filing Deadline (as defined in the Second Amended and Restated Registration Rights Agreement) or (Y) achieve effectiveness of the Additional Registration Statement as defined in the Second Amended and Restated Registration Rights Agreement) on or prior to the Additional Effectiveness Deadline (as defined in the Second Amended and Restated Registration Rights Agreement), respectively.

(ii) Effective as of the Closing Date, the Investor hereby agrees to permanently waive any default relating to the Company's failure to pay the Investor the Letter Agreement Payment Amount in a timely manner.

(b) [deleted]

(c) [deleted]

(d) Waiver re: Participation. The Investor hereby waives its rights, if any, pursuant to Section 4(n) of the Existing Securities Purchase Agreement and Section 2(c) of the Amendment Agreement for purposes of the approximately \$5 million purchase by Pfizer Inc. or one of its affiliates ("**Pfizer**") of the Company's equity securities in connection with the Company's recently completed transaction with Pfizer (the "**Pfizer Transaction**") and the recently completed approximately \$7 million financing (the "**Contemplated Financing**") and any investment that the Company offers to the Investor and the Investor desires to make in respect of the Company on terms similar to or the same as the Contemplated Transaction.

3. REPRESENTATIONS AND WARRANTIES

(a) Investor Bring Down. The Investor hereby represents and warrants to the Company as set forth in Section 2 of the Existing Securities Purchase Agreement as to this Agreement as if such representations and warranties were made as of the date hereof and set

forth in their entirety in this Agreement. The Investor further represents and warrants to the Company that: (a) it is the sole holder of the Existing Notes; (b) that it has not transferred beneficial ownership thereof; and (c) this agreement shall constitute written consent of the Required Holders pursuant to Section 17 of the Existing Notes.

(b) Company Bring Down. The Company represents and warrants to the Investor as set forth in Section 3 of the Existing Securities Purchase Agreement as if such representations and warranties were made as of the date hereof and set forth in their entirety in this Agreement; provided that the Schedules to the Amended Securities Purchase Agreement are replaced in their entirety by the Schedules attached to this Agreement. Such representations and warranties in the Amended Securities Purchase Agreement to the transactions thereunder and the securities issued thereby are hereby deemed for purposes of this Agreement to be references to the transactions hereunder and the issuance of the securities hereby, and references therein to "**Closing Date**" being deemed references to the Closing Date as defined in Section 1(c) above. The Company further represents and warrants to the Investor that this Agreement, the redemption of the Existing Notes, the terms of the Series C Warrants, the issue of the Series C Warrants, the terms of the Series D Warrants, the issue of the Series D Warrants, the terms of the Series E Warrants, the issue of the Series E Warrants, the terms of the Series F Warrants, the issue of the Series F Warrants, the terms of the Series G Warrants, the issue of the Series G Warrants and the agreement to issue shares or ADRs on conversion or exercise, as applicable, of the Existing Notes or Series C Warrants, Series D Warrants, Series E Warrants, Series F Warrants or Series G Warrants: (i) comply in all respects with the Corporations Act 2001 (Cwth) and the Listing Rules of the Australian Stock Exchange Limited; and, (ii) do not require any approval from the Australian Stock Exchange Limited or shareholders of the Company.

4. CERTAIN COVENANTS AND AGREEMENTS; RELEASE

(a) Disclosure of Transactions and Other Material Information. On or before 10:30 a.m., New York Time, on the first Business Day following the Closing Date, the Company shall publicly disclose and shall file a Form 6-K describing the terms of the transactions contemplated by this Agreement in the form required by the 1934 Act and attaching any material transaction documents not previously filed as exhibits to such a filing (including, without limitation, this Agreement (other than the schedules to this Agreement), the Second Amended and Restated Registration Rights Agreement, the Series C Warrants, the Series D Warrants, the Series E Warrants, the Series F Warrants and the Series G Warrants) as exhibits to such submission (such submission including all attachments, the "**Closing 6-K Filing**"). From and after the submission of the Closing 6-K Filing with the SEC, no Investor shall be in possession of any material, nonpublic information received from the Company, any of its Subsidiaries or any of its respective officers, directors, employees or agents, that is not disclosed in the Closing 6-K Filing or in some other public filing or public disclosure. The Company shall not, and shall cause each of its Subsidiaries and its and each of their respective officers, directors, employees and agents, not to, provide the Investor with any material, nonpublic information regarding the Company or any of its Subsidiaries from and after the filing of the Closing 6-K Filing with the SEC without the express written consent of the Investor. In the event of a breach of the foregoing covenant by the Company, any of its Subsidiaries, or any of its or their respective officers, directors, employees and agents, in addition to any other remedy provided herein or in the Transaction Documents, the Investor shall have the right to require the

Company to make promptly a public disclosure, in the form of a press release, public advertisement or otherwise, of such material, nonpublic information. Subject to the foregoing, neither the Company, its Subsidiaries nor the Investor shall issue any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Investor, to make any press release or other public disclosure with respect to such transactions (i) in substantial conformity with the Closing 6-K Filing and contemporaneously therewith and (ii) as is required by applicable law and regulations (provided that in the case of clause (i) the Investor shall be consulted by the Company in connection with any such press release or other public disclosure prior to its release).

(b) Fees and Expenses. To the extent that the Company has not already paid such amounts or the Investor has not already otherwise offset such amounts, the Company shall reimburse the Investor for its legal fees and expenses in connection with the preparation and negotiation of this Agreement by paying such amount to (i) Schulte Roth & Zabel LLP as set forth in such firm's written invoice therefore (the "**SRZ Expense**") and (ii) Baker & McKenzie as set forth in such firm's written invoice therefore (the "**Baker Expense**", and together with the SRZ Expense, the "**Investor Counsel Expense**"). Investor acknowledges and agrees that the Company has previously paid (or had offset) One Hundred Thousand U.S. Dollars (US\$100,000), which such amount may be deducted from the SRZ Expense. Except as otherwise set forth in this Agreement, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all stamp and other taxes and duties levied in connection with the issuance of the New Warrants.

(c) Schedules. The Company hereby agrees that the Schedules referred to in Section 3(b) and 4(a) shall be delivered to the Investor no later than the fifth (5th) Business Day after the date hereof.

(d) Other Notes. The Investor agrees that notwithstanding any provisions in the Existing Notes or any other agreements to which the Investor is a party (including without limitation, the Subordination Agreements between the Investor and the holders of the New Notes) to the contrary, at any time from and after the Closing, the Company may repay part or all of the principal amount of the New Notes.

(e) Participation Rights. From and after the Closing Date, the Investor shall no longer have any rights pursuant to Section 4(n) of the Existing Securities Purchase Agreement or Section 2(c) of the Amendment Agreement, or otherwise, to notice of or to participate in any Subsequent Placement or any other offering or sale of securities conducted by the Company.

5. CONDITIONS TO COMPANY'S OBLIGATIONS HEREUNDER.

The obligations of the Company to the Investor hereunder are subject to the satisfaction or waiver of each of the following conditions, provided that these conditions are

for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing the Investor with prior written notice thereof:

(a) The Investor shall have executed this Agreement and delivered the same to the Company.

(b) The representations and warranties of the Investor shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall remain true and correct as of such specific date).

6. CONDITIONS TO INVESTOR'S OBLIGATIONS HEREUNDER.

The obligations of the Investor hereunder are subject to the satisfaction or waiver of each of the following conditions, provided that these conditions are for the Investor's sole benefit and may be waived by the Investor at any time in its sole discretion by providing the Company with prior written notice thereof:

(a) The Company shall have executed this Agreement and delivered the same to the Investor.

(b) The Company shall have executed and delivered to the Investor the Series D Warrants, the Series E Warrants, the Series F Warrants and the Series G Warrants being issued to such Investor at the Closing.

(c) The Company shall have delivered to the Company's transfer agent, with a copy to the Investor, a letter stating that the Irrevocable Transfer Agent Instructions dated October 5, 2005 shall apply to the Existing Warrant Shares, the New Warrant Shares and the Second Amended and Restated Registration Rights Agreement.

(d) Such Investor shall have received the opinion of Curtis, Mallet-Prevost, Colt & Mosle LLP, the Company's outside U.S. counsel, and Blake Dawson Waldron, the Company's outside Australian counsel, each dated as of the Closing Date, similar in all material respects to the opinions delivered pursuant to the Amendment Agreement.

(e) The Company shall have delivered to the Investor a certificate, executed by the Secretary of the Company and dated as of the Closing Date, as to (i) the resolutions approving the transactions contemplated hereby as adopted by the Board in a form reasonably acceptable to the Investor, and (ii) the Constitution, each as in effect as of the Closing, similar in all material respects to the certificate executed by the Secretary of the Company delivered pursuant to the Amendment Agreement.

(f) The representations and warranties of the Company shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the date when made and (if different) as of the Closing Date as though made at

that time (except for representations and warranties that speak as of a specific date, which shall remain true and correct as of such specific date). The Investor shall have received a certificate, executed by the Chief Executive Officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Investor, similar in all material respects (except as set forth above) to the certificate executed by the Chief Executive Officer of the Company delivered pursuant to the Amendment Agreement.

(g) The ADRs (I) shall be designated for quotation or listed on the Principal Market and (II) shall not have been suspended, as of the Closing Date, by the SEC or the Principal Market from trading on the Principal Market nor shall suspension by the SEC or the Principal Market have been threatened, as of the Closing Date, either (A) in writing by the SEC or the Principal Market or (B) by falling below the minimum listing maintenance requirements of the Principal Market.

(h) The Company shall have obtained all governmental, regulatory or third party consents and approvals, if any, necessary for the issue and sale of the Securities, including, without limitation, any approvals or notifications required by the Principal Market.

(i) The Company shall have delivered to Schulte Roth & Zabel LLP a cash amount equal to the SRZ Expense (reduced as set forth herein), by wire transfer of immediately available funds pursuant to the wire instructions provided by Schulte Roth & Zabel LLP.

(j) The Company shall have delivered to Baker & McKenzie a cash amount equal to the Baker Expense, by wire transfer of immediately available funds pursuant to the wire instructions provided by Baker & McKenzie.

7. [DELETED]

8. TERMINATION.

In the event that the Closing does not occur by May 21, 2007 (the "**Termination Date**"), due to the Company's or the Investor's failure to satisfy the conditions set forth in Sections 5 or 6 hereof (and the satisfying party's failure to waive such unsatisfied conditions(s)), either party shall have the option to terminate this Agreement at the close of business on such date without liability of any party to the other party; provided, however, that if this Agreement is terminated by the Investor pursuant to this Section 8, the Company shall remain obligated to reimburse the Investor for the expenses described in Section 4(b) above. Upon such termination, the terms hereof shall be null and void and the parties shall continue to comply with all terms and conditions of the Transaction Documents, as in effect prior to the execution of this Agreement.

9. MISCELLANEOUS.

(a) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other

party; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

(b) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(c) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

(d) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(e) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(f) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(g) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

(h) Entire Agreement; Effect on Prior Agreements; Amendments. Except for the Transaction Documents (to the extent any such Transaction Document is not amended by this Agreement), this Agreement supersedes all other prior oral or written agreements between the Investor, the Company, their affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Investor makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the Investor. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration also is offered to all of the parties to the Transaction Documents, holders of Existing Notes or holders of the Existing Warrants and the New Warrants, as the case may be. The Company has not, directly or indirectly, made any agreements with the Investor relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

(i) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

pSivida Limited
400 Pleasant Street
Watertown, MA 02472
Telephone: +1 617 926 5000
Facsimile: +1 617 926 5050
Attention: General Counsel

with a copy (for informational purposes only) to:

Curtis, Mallet-Prevost, Colt & Mosle LLP
101 Park Avenue
New York, NY 10178
Telephone: 212-696-6000
Facsimile: 212-697-1559
Attention: Lawrence Goodman, Esq.

If to the Investor, to its address and facsimile number set forth in the Amended Securities Purchase Agreement, with copies to the Investor's representatives as set forth on the Amended Securities Purchase Agreement or on the signature page to this Agreement,

with a copy (for informational purposes only) to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
U.S.A.
Telephone: (212) 756-2000
Facsimile: (212) 593-5955
Attention: Eleazer N. Klein, Esq.

or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

The Company hereby irrevocably appoints pSivida Inc., of 400 Pleasant Street, Watertown, MA, U.S.A. ("**pSivida Inc.**") as its agent for the receipt of service of process in the United States. The Company agrees that any document may be effectively served on it in connection with any action, suit or proceeding in the United States by service on its agents. The Investor consents and agrees that the Company may, in its reasonable discretion, irrevocably appoint a substitute agent for the receipt of service of process located within the United States, and that upon such appointment, the appointment of pSivida Inc. may be revoked.

Any document shall be deemed to have been duly served if marked for the attention of the agent at its address as set forth in Section 9(i) or such other address in the United States as may be notified to the party wishing to serve the document and (a) left at the specified address if its receipt is acknowledged in writing; or (b) sent to the specified address by post, registered mail return receipt requested. In the case of (a), the document will be deemed to have been duly served when it is left and signed for. In the case of (b), the document shall be deemed to have been duly served when received and acknowledged.

If the Company's agent at any time ceases for any reason to act as such, the Company shall appoint a replacement agent having an address for service in the United States and shall notify the Investor of the name and address of the replacement agent. Failing such appointment and notification, the holders of the Existing Warrants and the New Warrants representing not less than a majority of the aggregate New Warrant Shares and Existing Warrant Shares shall be entitled by notice to the Company to appoint a replacement agent to act on the Company's behalf. The provisions of this Section 9(i) applying to service on an agent apply equally to service on a replacement agent.

(j) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns in accordance with the terms of the Amended Securities Purchase Agreement.

(k) Survival. Unless this Agreement is terminated under Section 8, the representations and warranties of the Company and the Investor contained herein and the agreements and covenants set forth herein shall survive the Closing.

(l) Remedies. The Investor and each holder of the Securities shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Furthermore, the Company recognizes that in the event that it fails to perform, observe, or discharge any or all of its obligations under this Agreement, any remedy at law may prove to be inadequate relief to the Investor. The Company therefore agrees that the Investor shall be entitled to seek temporary and permanent injunctive relief in any such case without the necessity of proving actual damages and without posting a bond or other security.

[Signature Page Follows.]

IN WITNESS WHEREOF, the Investor and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

COMPANY:

PSIVIDA LIMITED

By: /s/ Michael J. Soja

Name: Michael J. Soja
Title: Vice President of Finance and Chief Financial Officer

[Signature Page to Amended and Restated Second Amendment Agreement]

IN WITNESS WHEREOF, the Investor and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

INVESTOR: CASTLERIGG MASTER INVESTMENTS LTD.

BY: SANDELL ASSET MANAGEMENT CORP

By: /s/ Timothy O'Brien

Name: Timothy O'Brien

Title: Chief Financial Officer

SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "**Agreement**"), dated as of May 15, 2007, by and among pSivida Limited, an Australian corporation, with headquarters located at Level 12 BGC Centre, 28 The Esplanade, Perth Australia 6000 (the "**Company**"), and Castlerigg Master Investments Ltd. (the "**Investor**").

WHEREAS:

A. The Company and the Investor (collectively with any other investors that may become a party to this Agreement, the "**Investors**") are parties to that certain Securities Purchase Agreement, dated as of October 5, 2005 (the "**Securities Purchase Agreement**"), pursuant to which, among other things, the Investors purchased from the Company (i) Subordinated Convertible Notes, dated November 16, 2005 (the "**Original Notes**") and (ii) warrants (the "**Original Warrants**"), which are exercisable to purchase ADSs (the "**Original Warrant Shares**").

B. In connection with the Amendment Agreement by and between the Company and the Investor, dated as of July 28, 2006, (the "**Amendment Agreement**"), the Company, among other things, (i) amended and restated the Original Notes (as amended and restated, the "**Existing Notes**"), which are convertible into ADSs (as converted, the "**Existing Conversion Shares**"), in accordance with the terms thereof, (ii) issued to the Investor warrants (the "**Series A Warrants**") which are exercisable to purchase ADSs (the "**Series A Warrant Shares**"), (iii) became obligated under the terms of the Existing Notes to issue to the investor, from time to time upon the occurrence of certain events, Series B warrants exercisable into ADSs, and (iv) entered into that certain Amended and Restated Registration Rights Agreement, by and among the Company and the Investor, dated as of September 14, 2006 (the "**Amended and Restated Registration Rights Agreement**") which amended and restated that certain Registration Rights Agreement, by and between the Company and the Investor, dated as of November 16, 2005 whereby the Company granted to the Investor certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "**1933 Act**"), and applicable state securities laws.

C. In connection with that certain Letter Agreement, by and between the Company and the Investor, dated October 17, 2006 (the "**Letter Agreement**"), the Company agreed to make certain payments to the Investor, and the Company and the Investor amended certain of the provisions of the Amended and Restated Registration Rights Agreement in connection with the Registration Statement on Form F-3 (SEC File No. 333-132777) (the "**Initial Registration Statement**") registering 12,737,139 ADSs issuable to the Investor (x) upon conversion of the Existing Notes, (y) as interest on the Existing Notes and (z) upon exercise of the Original Warrants, which such Registration Statement was declared effective by the SEC on September 29, 2006.

D. In connection with the Second Amendment Agreement by and between the Company and the Investor, dated as of December 29, 2006, (the “**Second Amendment Agreement**”), the Company (i) issued to the Investor warrants (the “**Series C Warrants**” and together with the Series A Warrants and the Original Warrants, the “**Existing Warrants**”) which are exercisable to purchase ADSs (the “**Series C Warrant Shares**” and together with the Series A Warrant Shares and the Original Warrant Shares, the “**Existing Warrant Shares**”) and (ii) agreed, among other things, (x) to further amend and restate the Existing Notes and (y) to issue the Investor warrants (the “**Series D Warrants**”) which shall be exercisable to purchase ADSs (the “**Series D Warrant Shares**”) at US\$2.00 per ADS.

E. In connection with the Amended and Restated Second Amendment Agreement, dated as of the date hereof (the “**Amended and Restated Second Amendment Agreement**”), the Company has (i) redeemed the Existing Notes (the “**Notes**”); (ii) issued to the Investor Series D Warrants exercisable into Series D Warrant Shares, (iii) issued to the Investor additional warrants (the “**Series E Warrants**”), which are exercisable to purchase Four Million (4,000,000) ADSs (the “**Series E Warrant Shares**”) at US\$1.57 per ADS, (iv) issued to the Investor additional warrants (the “**Series F Warrants**”), which are exercisable to purchase One Million (1,000,000) ADSs (the “**Series F Warrant Shares**”) for US\$1.95 per ADS, and (v) issued to the Investor additional warrants (the “**Series G Warrants**” and together with the Existing Warrants, the Series D Warrants, the Series E Warrants and the Series F Warrants, the “**Warrants**”), which are exercisable to purchase Two Million Three Hundred Forty One Thousand Three Hundred Forty Seven (2,341,347) ADSs (the “**Series G Warrant Shares**” and together with the Existing Warrant Shares, the Series D Warrant Shares, the Series E Warrant Shares and the Series F Warrant Shares, the “**Warrant Shares**”) for US\$1.21 per ADS.

F. In connection with the Amended and Restated Second Amendment Agreement, the Company has agreed to execute and deliver this Agreement which amends, restates and consolidates the terms and conditions of the Amended and Restated Registration Rights Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each of the Buyers hereby agree as follows:

1. Definitions.

As used in this Agreement, the following terms shall have the following meanings:

a. “**ADSs**” means the American Depositary Shares of the Company evidenced by American Depositary Receipts each of which represents ten (10) Ordinary Shares (as defined below).

b. “**Additional Effective Date**” means the date the Additional Registration Statement has been declared effective by the SEC.

c. “**Additional Effectiveness Deadline**” means the date sixty (60) days after the Additional Filing Deadline, or in the event that the SEC institutes a review of and/or

issues comments (including, without limitation, any correspondence or other communication by the staff of the SEC which requires the Company to reduce the number of Ordinary Shares registered on any Registration Statement or otherwise requires the Company to file an amendment to such Registration Statement) with respect to the Additional Registration Statement, the date one hundred twenty (120) days after the Additional Filing Deadline.

d. “**Additional Filing Date**” means the date on which the Additional Registration Statement is filed with the SEC.

e. “**Additional Filing Deadline**” means the date ten (10) days following the Closing Date.

f. “**Additional Registrable Securities**” means the Ordinary Shares underlying (i) the Series A Warrant Shares, (ii) the Series C Warrant Shares, (iii) the Series D Warrant Shares, (iv) the Series E Warrant Shares, (v) the Series F Warrant Shares, (vi) the Series G Warrant Shares and (vii) any shares of capital stock issued or issuable with respect to the Series A Warrant Shares, the Series C Warrant Shares, the Series D Warrant Shares, the Series E Warrant Shares, the Series F Warrant Shares or the Series G Warrant Shares as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise, without regard to any limitations on exercises of the Warrants.

g. “**Additional Registration Statement**” means a registration statement or registration statements of the Company filed under the 1933 Act covering any Additional Registrable Securities.

h. “**Additional Required Registration Amount**” means (I) Registrable Securities representing (i) 130% of the number of Series A Warrant Shares issued and issuable pursuant to the Series A Warrants as of the Trading Day (as defined below) immediately preceding the applicable date of determination, (ii) 130% of the number of Series C Warrant Shares issued and issuable pursuant to the Series C Warrants as of the Trading Day immediately preceding the applicable date of determination, (iii) 130% of the number of Series D Warrant Shares issued and issuable pursuant to the Series D Warrants as of the Trading Day immediately preceding the applicable date of determination, (iv) 130% of the number of Series E Warrant Shares issued and issuable pursuant to the Series E Warrants as of the Trading Day immediately preceding the applicable date of determination, (v) 130% of the number of Series F Warrant Shares issued and issuable pursuant to the Series F Warrants as of the Trading Day immediately preceding the applicable date of determination and (vi) 130% of the number of Series G Warrant Shares issued and issuable pursuant to the Series G Warrants as of the Trading Day immediately preceding the applicable date of determination, in each case subject to adjustment as provided in Section 2(g) or (II) such other amount as may be required by the staff of the SEC pursuant to Rule 415 or otherwise.

i. “**Business Day**” means any day other than Saturday, Sunday or any other day on which commercial banks in The City of New York, State of New York, U.S.A. or Perth, Australia are authorized or required by law to remain closed.

j. “**Closing Date**” shall have the meaning set forth in the Amended and Restated Second Amendment Agreement.

k. “**Cutback Shares**” means any of the Initial Required Registration Amount or Additional Required Registration Amount of Registrable Securities not included in a an effective Registration Statement filed pursuant to this Agreement as a result of a limitation on the number of Ordinary Shares of the Company permitted to be registered on any such Registration Statement by the staff of the SEC pursuant to Rule 415 or otherwise.

l. “**Effective Date**” means, with respect to the Initial Registration Statement, the Additional Registration Statement or a Subsequent Registration Statement, the date such Registration Statement has been declared effective by the SEC.

m. “**Effectiveness Deadline**” means the Initial Effectiveness Deadline (as defined below), the Additional Effectiveness Deadline and the Subsequent Effectiveness Deadline (as defined below), as applicable.

n. “**Eligible Market**” means the Nasdaq Global Market, The New York Stock Exchange, Inc., the American Stock Exchange, or The Nasdaq Capital Market.

o. “**Initial Effectiveness Deadline**” means October 15, 2006.

p. “**Initial Registrable Securities**” means the Ordinary Shares underlying (i) the ADSs into which the Notes are convertible in accordance with the terms thereof (the “**Conversion Shares**”), (ii) the Original Warrant Shares, (iii) any Interest Shares (as defined in the Notes) issued or issuable under the Notes, and (iv) any shares of capital stock issued or issuable with respect to the Conversion Shares, the Interest Shares, the Original Warrant Shares, the Notes and the Original Warrants, as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise, without regard to any limitations on conversions of the Notes or exercises of the Original Warrants.

q. “**Initial Required Registration Amount**” means the Ordinary Shares underlying 12,737,139 ADSs representing not less than (i) 130% of the number of Conversion Shares issued and issuable as of the Trading Day immediately preceding the applicable date of determination, (ii) 130% of the number of Original Warrant Shares issued and issuable pursuant to the Original Warrants as of the Trading Day immediately preceding the applicable date of determination, in each case subject to adjustment as provided in Section 2(g) and (iii) 100% of the Interest Shares paid by the Company.

r. “**Investor**” means a Buyer, any transferee or assignee thereof to whom a Buyer assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9 and any transferee or assignee thereof to whom a transferee or assignee assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9.

s. “**Ordinary Shares**” means ordinary shares of the Company.

t. **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

u. **“Purchase Price”** means, with respect to a convertible note, the principal amount of such convertible note, and, with respect to a warrant, the number of shares subject to such warrant multiplied by the then current per share exercise price provided for therein.

v. **“register,” “registered,” and “registration”** refer to a registration effected by preparing and filing one or more Registration Statements in compliance with the 1933 Act and pursuant to Rule 415 and the declaration or ordering of effectiveness of such Registration Statement(s) by the SEC.

w. **“Registrable Securities”** means the Initial Registrable Securities, the Additional Registrable Securities and the Subsequent Registrable Securities.

x. **“Registration Statement”** means a registration statement or registration statements of the Company filed under the 1933 Act covering Registrable Securities.

y. **“Required Holders”** means the holders of at least a majority of the Registrable Securities.

z. **“Required Registration Amount”** means (a) with respect to an Initial Registration Statement, the Initial Required Registration Amount, (b) with respect to the Additional Registration Statement, the Additional Required Registration Amount, and (c) with respect to a Subsequent Registration Statement, the Subsequent Required Registration Amount.

aa. **“Rule 415”** means Rule 415 under the 1933 Act or any successor rule providing for offering securities on a continuous or delayed basis.

bb. **“Subsequent Effectiveness Date”** means the date the Subsequent Registration Statement is declared effective by the SEC.

cc. **“Subsequent Effectiveness Deadline”** with respect to a Subsequent Registration Statement means the date which is sixty (60) calendar days after the Subsequent Filing Date with respect to such Subsequent Registration Statement or in the event that the SEC institutes a review of and/or issues comments with respect to such Subsequent Registration Statement (including, without limitation, any correspondence or other communication by the staff of the SEC which requires the Company to reduce the number of Ordinary Shares registered on any Registration Statement or otherwise requires the Company to file an amendment to such Registration Statement), one-hundred and twenty (120) calendar days after the Subsequent Filing Date with respect to such Subsequent Registration Statement.

dd. **“Subsequent Filing Date”** with respect to a Subsequent Registration Statement means the date on which such Subsequent Registration Statement is filed with the SEC.

ee. “**Subsequent Filing Deadline**” means if Cutback Shares are required to be included in a Subsequent Registration Statement, the later of (i) the date sixty (60) days after the date that the Company receives notice from the Required Holders that substantially all of the Registrable Securities registered under the immediately preceding Registration Statement have been sold and (ii) the date six (6) months from the Additional Effective Date or the most recent Effective Date occurring after the Additional Effective Date, as applicable.

ff. “**Subsequent Registrable Securities**” means, (i) any Cutback Shares not previously included on a Registration Statement and (ii) any share capital of the Company issued or issuable with respect to the Warrants, the Warrant Shares or Cutback Shares, as applicable, as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise, without regard to any limitations on exercise of the Warrants.

gg. “**Subsequent Registration Statement**” means a registration statement or registration statements of the Company filed under the 1933 Act covering any Subsequent Registrable Securities.

hh. “**Subsequent Required Registration Amount**” means any Cutback Shares not previously included on a Registration Statement, all subject to adjustment as provided in Section 2(g), without regard to any limitations on exercise of the Warrants, which have not previously been sold pursuant to an effective registration statement, without restriction pursuant to Rule 144(k) or on the ASX.

ii. “**SEC**” means the United States Securities and Exchange Commission.

jj. “**Trading Day**” means any day on which the ADSs are traded on the Nasdaq Global Market, or, if the Nasdaq Global Market is not the principal trading market for the ADSs, then on the principal securities exchange or securities market on which the ADSs are then traded; provided that “Trading Day” shall not include any day on which the ADSs are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the ADSs are 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).

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Amended and Restated Second Amendment Agreement. In the event that the Company’s Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a foreign private issuer (as defined in the Securities Act of 1933, as amended), all references to ADSs shall be deemed references to the securities that are substituted for the ADSs with equitable adjustment of the provisions of this Agreement for such substituted securities.

2. Registration.

a. Initial Mandatory Registration. The Company has prepared, and (i) filed with the SEC the Initial Registration Statement on Form F-3 covering the resale of all of the Initial Registrable Securities. The Initial Registration Statement prepared pursuant hereto registered for resale the Initial Required Registration Amount. The Initial Registration Statement

contained the "Selling Shareholders" and "Plan of Distribution" sections in substantially the form attached hereto as Exhibit B, with such changes as were necessary or appropriate and mutually agreed by the parties. The Initial Registration Statement was declared effective by the SEC on September 29, 2006.

b. Additional Mandatory Registrations. The Company shall prepare, and, no later than the Additional Filing Deadline, file with the SEC an Additional Registration Statement on Form F-3 covering the resale of all of the Additional Registrable Securities. In the event that Form F-3 or Form S-3 is unavailable for such a registration, the Company shall use Form F-1 or Form S-1, as applicable, subject to the provisions of Section 2(f). The Additional Registration Statement shall register for resale at least that number of ADSs equal to the Additional Required Registration Amount as of the date the Additional Registration Statement is initially filed with the SEC. The Additional Registration Statement shall contain (except if otherwise directed by the Required Holders) the "Selling Stockholders" and "Plan of Distribution" sections in substantially the form attached hereto as Exhibit B, with such changes as may be appropriate to reflect the inclusion of other permissible securities of the Company and other changes which may be necessary or appropriate. The Company shall use its reasonable best efforts to have the Additional Registration Statement declared effective by the SEC as soon as practicable after its filing, but in no event later than the Additional Effectiveness Deadline. By 9:30 a.m. New York time on the date following the Additional Effective Date, the Company shall file with the SEC in accordance with Rule 424 under the 1933 Act the final prospectus to be used in connection with sales pursuant to such Registration Statement.

c. Subsequent Mandatory Registrations. The Company shall prepare, and, as soon as practicable but in no event later than the Subsequent Filing Deadline, file with the SEC a Subsequent Registration Statement on Form F-3 covering the resale of all of the Subsequent Registrable Securities. In the event that Form F-3 or Form S-3 is unavailable for such a registration, the Company shall use Form F-1 or Form S-1, as applicable, subject to the provisions of Section 2(f). To the extent the staff of the SEC does not permit the Subsequent Required Registration Amount to be registered on a Subsequent Registration Statement, the Company shall file Subsequent Registration Statements (consistent with the comments or instructions of the staff of the SEC) successively trying to register on each such Subsequent Registration Statement the maximum number of remaining Subsequent Registrable Securities until the Subsequent Required Registration Amount has been registered with the SEC. Each Subsequent Registration Statement prepared pursuant hereto shall register for resale at least that number of ADSs equal to the Subsequent Required Registration Amount (or such lesser number of Registrable Securities dictated by the staff of the SEC) as of date the Registration Statement is initially filed with the SEC. Each Subsequent Registration Statement shall contain (except if otherwise directed by the Required Holders) the "Selling Stockholders" and "Plan of Distribution" sections in substantially the form attached hereto as Exhibit B, with such changes as may be appropriate to reflect the inclusion of other permissible securities of the Company and other changes which may be necessary or appropriate. The Company shall use its best efforts to have each Subsequent Registration Statement declared effective by the SEC as soon as practicable, but in no event later than the Subsequent Effectiveness Deadline with respect to such Subsequent Registration Statement. By 9:30 a.m. New York time on the date following the Subsequent Effective Date, the Company shall file with the SEC in accordance with Rule 424

under the 1933 Act the final prospectus to be used in connection with sales pursuant to such Registration Statement.

d. Allocation of Registrable Securities. The initial number of Registrable Securities included in any Registration Statement and any increase in the number of Registrable Securities included therein shall be allocated pro rata among the Investors based on the number of Registrable Securities held by each Investor at the time the Registration Statement covering such initial number of Registrable Securities or increase thereof is declared effective by the SEC. In the event that an Investor sells or otherwise transfers any of such Investor's Registrable Securities, each transferee shall be allocated a pro rata portion of the then remaining number of Registrable Securities included in such Registration Statement for such transferor. Any ADSs included in a Registration Statement and which remain allocated to any Person which ceases to hold any Registrable Securities covered by such Registration Statement shall be allocated to the remaining Investors, pro rata based on the number of Registrable Securities then held by such Investors which are covered by such Registration Statement. Other than as permitted by Section 4(k) of the Securities Purchase Agreement, in no event shall the Company include any securities other than Registrable Securities on any Registration Statement without the prior written consent of the Required Holders.

e. Legal Counsel. Subject to Section 5 hereof, the Required Holders shall have the right to select one legal counsel to review and oversee any registration pursuant to this Section 2, which shall be Schulte Roth & Zabel LLP or such other counsel as is thereafter designated in writing by the Required Holders prior to the initiation of such other legal counsel's review and oversight of any registration ("**Legal Counsel**"). The Company and Legal Counsel shall reasonably cooperate with each other in performing the Company's obligations under this Agreement.

f. Ineligibility for Form F-3 or Form S-3. In the event that Form F-3 or Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form reasonably acceptable to the Required Holders and (ii) undertake to register the Registrable Securities on Form F-3 or Form S-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form F-3 or Form S-3 covering the Registrable Securities has been declared effective by the SEC.

g. Sufficient Number of ADSs Registered. In the event the number of Ordinary Shares available under a Registration Statement filed pursuant to Section 2(a) is insufficient to cover all of the Registrable Securities required to be covered by such Registration Statement or an Investor's allocated portion of the Registrable Securities pursuant to Section 2(c), the Company shall amend the applicable Registration Statement, or file a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover at least the Required Registration Amount as of the Trading Day immediately preceding the date of the filing of such amendment or new Registration Statement, in each case, as soon as practicable, but in any event not later than fifteen (15) Business Days after the necessity therefor arises. The Company shall use its best efforts to cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof. For purposes of the

foregoing provision, the number of Ordinary Shares available under a Registration Statement shall be deemed “insufficient to cover all of the Registrable Securities” if at any time the number of Ordinary Shares available for resale under the Registration Statement is less than the product determined by multiplying (i) the Required Registration Amount by (ii) 0.90. The calculation set forth in the foregoing sentence shall be made without regard to any limitations on the exercise of the Warrants and such calculation shall assume that the Warrants are then exercisable to purchase ADSs and are issuable at the then prevailing Exercise Price (as defined in the Warrants), as applicable.

h. Effect of Failure to File and Obtain and Maintain Effectiveness of Registration Statement.

(1) On September 14, 2006, as relief for the damages to the Investor by reason of the delay prior to such date in its ability to sell the ADSs (which remedy shall not be exclusive of any other remedies available at law or in equity), the Company paid to the Investor an amount in cash equal to \$129,166.67. Pursuant to the Letter Agreement, the Company agreed to make certain other payments to the Investor as consideration for the Investor entering into the Letter Agreement and in lieu of any Registration Delay Payments which had not yet been made and would otherwise be incurred by the Company or due to the Investor. Notwithstanding any provision of the Amended and Restated Registration Rights Agreement, no amounts are due from the Company to the Investor under this Agreement or the Amended and Restated Registration Rights Agreement in respect of any Registration Delay Payments as of the date of this Agreement in respect of the Company’s not having filed an Additional Registration Statement prior to the date of this Agreement or the Additional Filing Deadline.

(2) If a Registration Statement covering all of the Additional Registrable Securities required to be covered thereby and required to be filed by the Company pursuant to this Agreement is not declared effective by the SEC on or before the Additional Effectiveness Deadline (an “**Additional Effectiveness Failure**”) then, as partial relief for the damages to any holder by reason of any such delay in or reduction of its ability to sell the ADSs (which remedy shall not be exclusive of any other remedies available at law or in equity), the Company shall pay to each Investor holding Registrable Securities relating to such Registration Statement on the date of such Additional Effectiveness Failure an amount in cash equal to such Investor’s pro rata share of (a) eight thousand three hundred thirty-three U.S. dollars (US\$8,333) for each day in the period beginning on December 31, 2006 and ending on the date of such Additional Effectiveness Failure and (b) eight thousand one hundred fifteen U.S. dollars (\$8,115) for each day in the period beginning on the date of this Agreement and ending on the date of such Additional Effectiveness Failure.

(3) In the event that:

(A) a Registration Statement covering all of the Registrable Securities required to be covered thereby and required to be filed by the Company pursuant to this Agreement is not, with respect to a Subsequent Registration Statement, declared effective by the SEC on or before the Subsequent Effectiveness Deadline (a “**Subsequent Effectiveness Failure**”);

(B) a Registration Statement covering all of the Registrable Securities required to be covered thereby and required to be filed by the Company pursuant to this Agreement is not, with respect to an Additional Registration Statement, filed with the SEC on or before the Additional Filing Deadline (an “**Additional Filing Failure**”) (provided that, no Additional Filing Failure shall be deemed to have occurred in the event that the Company withdraws an Additional Registration Statement at request of the SEC filed on or before the Additional Filing Deadline and files a subsequent Additional Registration Statement after the Additional Filing Deadline and prior to the Additional Effectiveness Deadline);

(C) an Additional Effectiveness Failure occurs; or

(D) on any day after the applicable Effective Date (I) sales of all of the Registrable Securities required to be included on such Registration Statement cannot be made (other than during an Allowable Grace Period (as defined in Section 3(r)) pursuant to such Registration Statement (including, without limitation, because of a failure to keep such Registration Statement effective, to disclose such information as is necessary for sales to be made pursuant to such Registration Statement or to register a sufficient number of ADSs), or (II) the Registrable Securities are not listed or included for quotation on an Eligible Market or trading of the ADSs is suspended or halted thereon (other than during an Allowable Trading Grace Period) (each, a “**Maintenance Failure**”),

then, as partial relief for the damages to any holder by reason of any such delay in or reduction of its ability to sell the ADSs (which remedy shall not be exclusive of any other remedies available at law or in equity), the Company shall pay to each holder of Registrable Securities relating to such Registration Statement an amount in cash equal to one and one half percent (1.5%) of the aggregate Purchase Price of such Investor’s Registrable Securities included in such Registration Statement on each of the following dates:

(X) every thirtieth day (pro rated for periods totaling less than thirty days) from the date of a Subsequent Effectiveness Failure until such Subsequent Effectiveness Failure is cured;

(Y) every thirtieth day (pro rated for periods totaling less than thirty days) from the date of an Additional Effectiveness Failure until such Additional Effectiveness Failure is cured; and

(Z) every thirtieth day (pro rated for periods totaling less than thirty days) from the date of a Maintenance Failure until such Maintenance Failure is cured; provided, however, that such amount shall not be duplicative or owed more than once with respect to any day which falls within a period described in more than one of clauses (X) and (Y) immediately preceding this proviso.

(4) The payments to which a holder shall be entitled pursuant to this Section 2(h) are referred to herein as “**Registration Delay Payments.**” Registration Delay Payments shall be deemed “incurred”, for purposes of the following sentence, on the thirtieth day following the applicable failure and such payments shall be made (except as set forth elsewhere in this Section 2(h)) on the earlier of (A) the last day of the calendar month during which such

Registration Delay Payments are incurred and (B) the fifth Business Day after the event or failure giving rise to the Registration Delay Payments is cured. In the event the Company fails to make Registration Delay Payments in a timely manner, such Registration Delay Payments shall bear interest at the rate of 1.0% per month (prorated for partial months) until paid in full.

3. Related Obligations.

At such time as the Company is obligated to file a Registration Statement with the SEC pursuant to Section 2(a), 2(b), 2(c) or 2(g), the Company will use its reasonable best efforts to effect the registration of the Registrable Securities consistent with the Plan of Distribution and, pursuant thereto, the Company shall have the following obligations:

a. The Company shall promptly prepare and file with the SEC a Registration Statement with respect to the Registrable Securities and use its reasonable best efforts to cause such Registration Statement relating to the Registrable Securities to become effective as soon as practicable after such filing (but in no event later than the applicable Effectiveness Deadline). The Company shall keep (i) each Registration Statement effective pursuant to Rule 415 and (ii) the Company's Form F-6, Registration Number 333-122158 effective (and such Form F-6 shall have available the number of ADSs to cover all of the Registrable Securities) at all times until the earlier of (i) the date as of which the Investors may sell all of the Registrable Securities covered by such Registration Statement without restriction pursuant to Rule 144(k) (or successor thereto) promulgated under the 1933 Act or (ii) the date on which the Investors shall have sold all the Registrable Securities covered by such Registration Statement (the "**Registration Period**"), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading. The term "best efforts" shall mean, among other things, that the Company shall submit to the SEC, within four (4) Business Days after the later of the date that (i) Company learns that no review of a particular Registration Statement will be made by the staff of the SEC or that the staff has no further comments on the Registration Statement, as the case may be, and (ii) the approval of Legal Counsel pursuant to Section 3(c) (which approval is immediately sought), a request for acceleration of effectiveness of such Registration Statement to a time and date not later than 48 hours after the submission of such request.

b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the 1933 Act, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, subject to Allowable Grace Periods, and, during such period, comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to this Agreement (including pursuant to this Section 3(b)) by reason of the Company filing a report on Form 10-K or 10-KSB, as applicable, Form 10-Q or 10-QSB, as applicable, or Form 8-K or any analogous report under the Securities Exchange Act of

1934, as amended (the “1934 Act”), the Company shall have incorporated such report by reference into such Registration Statement, if applicable, or shall file such amendments or supplements with the SEC on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement such Registration Statement.

c. The Company shall (A) permit Legal Counsel to review and comment upon (i) a Registration Statement at least five (5) Business Days prior to its filing with the SEC and (ii) all amendments and supplements to all Registration Statements (except for reports incorporated by reference therein) within a reasonable number of days prior to their filing with the SEC, and (B) not file any Registration Statement or amendment or supplement thereto in a form to which Legal Counsel reasonably objects. The Company shall not submit a request for acceleration of the effectiveness of a Registration Statement or any amendment or supplement thereto without the prior approval of Legal Counsel, which consent shall not be unreasonably withheld. The Company shall furnish to Legal Counsel, without charge, (i) copies of any correspondence from the SEC or the staff of the SEC to the Company or its representatives relating to any Registration Statement, (ii) promptly after the same is prepared and filed with the SEC, one copy of any Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, if requested by an Investor, and all exhibits and (iii) upon the effectiveness of any Registration Statement, one copy of the prospectus included in such Registration Statement and all amendments and supplements thereto. The Company shall reasonably cooperate with Legal Counsel in performing the Company’s obligations pursuant to this Section 3.

d. The Company shall furnish to each Investor whose Registrable Securities are included in any Registration Statement, without charge, (i) promptly after the same is prepared and filed with the SEC, at least one copy of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, if requested by an Investor, all exhibits and each preliminary prospectus, (ii) upon the effectiveness of any Registration Statement, ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as such Investor may reasonably request) and (iii) such other documents, including copies of any preliminary or final prospectus, as such Investor may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by such Investor.

e. The Company shall use its reasonable best efforts to (i) register and qualify, unless an exemption from registration and qualification applies, the resale by Investors of the Registrable Securities covered by a Registration Statement under such other securities or “blue sky” laws of all applicable jurisdictions in the United States, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would

not otherwise be required to qualify but for this Section 3(e), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify Legal Counsel and each Investor who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

f. The Company shall notify Legal Counsel and each Investor in writing, of the happening of any event, as promptly as practicable after becoming aware of such event, as a result of which the prospectus included in a Registration Statement, as then in effect, (1) includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (provided that in no event shall such notice contain any material, nonpublic information) or (2) otherwise fails to comply with then current law or the rules and regulations of the SEC or other applicable regulatory body, and, subject to Section 3(r), promptly prepare a supplement or amendment to such Registration Statement to correct such untrue statement or omission, and deliver ten (10) copies of such supplement or amendment to Legal Counsel and each Investor (or such other number of copies as Legal Counsel or such Investor may reasonably request). The Company shall also promptly notify Legal Counsel and each Investor in writing, (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to Legal Counsel and each Investor by facsimile or e-mail on the same day of such effectiveness and by overnight mail), (ii) of any request by the SEC for amendments or supplements to a Registration Statement or related prospectus or related information, and (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

g. The Company shall use its reasonable best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify Legal Counsel and each Investor who holds Registrable Securities being sold of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

h. If any Investor is required under applicable securities law to be described in the Registration Statement as an underwriter, at the reasonable request of any Investor, the Company shall furnish to such Investor, on the date of the effectiveness of the Registration Statement and thereafter from time to time on such dates as an Investor may reasonably request (i) a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the Investors, and (ii) an opinion, dated as of such date, of counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the Investors.

i. The Company shall make available for inspection by (i) any Investor, (ii) Legal Counsel and (iii) one firm of accountants or other agents retained by the Investors (collectively, the “**Inspectors**”), all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the “**Records**”), as shall be necessary and reasonably requested by each Inspector, and cause the Company’s officers, directors and employees, counsel and the Company’s independent certified public accountants to supply all information which may be necessary and any Inspector may reasonably request; provided, however, that each Inspector shall agree to hold in strict confidence and shall not make any disclosure (except to an Investor) or use of any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, and such inspector executes any non-disclosure, non-use or similar document which may be reasonably required by Company, its independent certified public accountants or its counsel (and upon execution of which the Company shall not be deemed to be in violation of its agreement not to provide to such Investor any material, nonpublic information or to publicly disclose such information) unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the 1933 Act, (b) the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement of which the Inspector has knowledge. Each Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein (or in any other confidentiality agreement between the Company and any Investor) shall be deemed to limit the Investors’ ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

j. The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this Agreement or any other agreement of which the Company has knowledge. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to such Investor and allow such Investor, at the Investor’s expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

k. The Company shall use its reasonable best efforts either to (i) cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) secure designation and quotation of all the Registrable Securities covered by the

Registration Statement on the Nasdaq Global Market, or (iii) if, despite the Company's best efforts to satisfy the preceding clause (i) or (ii), the Company is unsuccessful in satisfying the preceding clause (i) or (ii), to secure the inclusion for quotation on The Nasdaq Capital Market for such Registrable Securities and, without limiting the generality of the foregoing, to use its best efforts to arrange for at least two market makers to register with the National Association of Securities Dealers, Inc. ("NASD") as such with respect to such Registrable Securities. The Company shall pay all fees and expenses in connection with satisfying its obligation under this Section 3(k).

l. The Company shall cooperate with the Investors who hold Registrable Securities being offered and, to the extent applicable, facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) , if applicable, representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Investors may reasonably request and registered in such names as the Investors may request.

m. If reasonably requested by an Investor, the Company shall as soon as reasonably practicable (i) incorporate in a prospectus supplement or post-effective amendment such information as an Investor reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; and (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment if reasonably requested by an Investor holding any Registrable Securities.

n. The Company shall use its reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

o. The Company shall make generally available to its security holders as soon as practical, but not later than one hundred eighty (180) days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

p. The Company shall otherwise use its best efforts to comply with all applicable rules and regulations of the SEC in connection with any registration hereunder.

q. Within three (3) Business Days after a Registration Statement which covers Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) confirmation that such Registration Statement has been declared effective by the SEC substantially in the form attached hereto as Exhibit A.

r. Notwithstanding anything to the contrary herein, the Company may delay, including by delaying the effectiveness of a Registration Statement or the filing of a Registration Statement or an amendment (including a post-effective amendment) or supplement to a Registration Statement, the disclosure of material, nonpublic information concerning the Company the disclosure of which at the time is not, in the good faith opinion of the Board of Directors of the Company and its counsel, in the best interest of the Company and, in the opinion of counsel to the Company, otherwise required (a “**Grace Period**”) and, as applicable, suspend sales of Registered Securities under an effective Registration Statement; provided, that the Company shall promptly (i) notify the Investors in writing of the existence of material, nonpublic information giving rise to a Grace Period (provided that in each notice the Company will not disclose the content of such material, nonpublic information to the Investors) and the date on which the Grace Period will begin, and (ii) notify the Investors in writing of the date on which the Grace Period ends; and, provided further, that no Grace Period shall exceed 15 consecutive days and during any 365 day period such Grace Periods shall not exceed an aggregate of 45 days and the first day of any Grace Period must be at least 2 Trading Days after the last day of any prior Grace Period (an “**Allowable Grace Period**”). For purposes of determining the length of a Grace Period above, the Grace Period shall begin on and include the date the holders receive the notice referred to in clause (i) and shall end on and include the later of the date the holders receive the notice referred to in clause (ii) and the date referred to in such notice. The provisions of Sections 2(g) and 3(e) hereof shall not be applicable during the period of any Allowable Grace Period. Upon expiration of the Grace Period, the Company shall again be bound by the first sentence of Section 3(f) with respect to the information giving rise thereto unless such material nonpublic information is no longer applicable. Notwithstanding anything to the contrary, the Company shall cause its transfer agent to deliver unlegended certificates, if applicable, for ADSs to a transferee of an Investor in accordance with the terms of the Securities Purchase Agreement in connection with any sale of Registrable Securities with respect to which an Investor has entered into a contract for sale, and delivered a copy of the prospectus included as part of the applicable Registration Statement, prior to the Investor’s receipt of the notice of a Grace Period and for which the Investor has not yet settled.

s. Notwithstanding anything to the contrary herein, the Company may suspend trading of its equity securities on the applicable Eligible Market on which its equity securities are then trading, due to the existence of material, nonpublic information concerning the Company the disclosure of which at the time is not, in the good faith opinion of the Board of Directors of the Company and its counsel, in the best interest of the Company (a “**Trading Grace Period**”); provided, that the Company shall promptly (i) notify the Investors in writing of the existence of such suspension (provided that in each notice the Company will not disclose the content of any material, nonpublic information to the Investors) and the date on which the Trading Grace Period will begin, and (ii) notify the Investors in writing of the date on which the Trading Grace Period ends; and, provided further, that no Trading Grace Period shall exceed 5 consecutive days and during any 365 day period such Trading Grace Periods shall not exceed an aggregate of 15 days and the first day of any Trading Grace Period must be at least 2 Trading Days after the last day of any prior Trading Grace Period (an “**Allowable Grace Trading Period**”). For purposes of determining the length of a Trading Grace Period above, the Trading Grace Period shall begin on and include the date the holders receive the notice referred to in clause (i) and shall end on and include the later of the date the holders receive the notice referred

to in clause (ii) and the date referred to in such notice. The provisions of Sections 2(g) and 3(e) hereof shall not be applicable during the period of any Allowable Trading Grace Period.

4. Obligations of the Investors.

a. At least five (5) Business Days prior to the first anticipated filing date of a Registration Statement, the Company shall notify each Investor in writing of the information the Company requires from each such Investor if such Investor elects to have any of such Investor's Registrable Securities included in such Registration Statement. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect and maintain the effectiveness of the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

b. Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of any Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from such Registration Statement.

c. Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of Section 3(f), such Investor will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(g) or the first sentence of Section 3(f) or receipt of notice that no supplement or amendment is required. Notwithstanding anything to the contrary, the Company shall cause its transfer agent to deliver unlegended certificates, if applicable, for ADSs to a transferee of an Investor in accordance with the terms of the Securities Purchase Agreement in connection with any sale of Registrable Securities with respect to which an Investor has entered into a contract for sale prior to the Investor's receipt of a notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of Section 3(f) and for which the Investor has not yet settled.

d. Each Investor covenants and agrees that it will comply with the prospectus delivery requirements of the 1933 Act as applicable to it in connection with sales of Registrable Securities pursuant to a Registration Statement.

5. Expenses Of Registration.

All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and

accounting fees, and fees and disbursements of counsel for the Company shall be paid by the Company. The Company shall also reimburse Castlerigg Master Investments Ltd. for the fees and disbursements of Legal Counsel incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3 of this Agreement which amount shall be limited to \$10,000 in the aggregate.

6. Indemnification.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

a. To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Investor, the directors, officers, partners, members, employees, agents, representatives of, and each Person, if any, who controls any Investor within the meaning of the 1933 Act or the 1934 Act (each, an “**Indemnified Person**”), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys’ fees, amounts paid in settlement or expenses, joint or several, (collectively, “**Claims**”) incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto (“**Indemnified Damages**”), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other “blue sky” laws of any jurisdiction in which Registrable Securities are offered (“**Blue Sky Filing**”), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement or (iv) any material violation of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, “**Violations**”). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person for such Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto, if such prospectus

was timely made available by the Company pursuant to Section 3(d); (ii) shall not be available to the extent such Claim is based on a failure of the Investor to deliver or to cause to be delivered the prospectus made available by the Company, including a corrected prospectus, if such prospectus or corrected prospectus was timely made available by the Company pursuant to Section 3(d); and (iii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9.

b. In connection with any Registration Statement in which an Investor is participating, each such Investor agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement and each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each, an “**Indemnified Party**”), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and, subject to Section 6(c), such Investor will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld or delayed; provided, further, however, that the Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

c. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the

fees and expenses of not more than one counsel for such Indemnified Person or Indemnified Party to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. In the case of an Indemnified Person, legal counsel referred to in the immediately preceding sentence shall be selected by the Required Holders to which the Claim relates. The Indemnified Party or Indemnified Person shall cooperate reasonably with the indemnifying party in connection with any negotiation or defense of any such action or Claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or Claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent, provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such Claim or litigation. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action.

d. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when Indemnified Damages are incurred and applicable bills are received.

e. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

f. Nothing herein shall the right of any party to this Agreement to bring a contractual claim against any other party to this Agreement for a breach of this Agreement.

7. Contribution.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no person involved in the sale of Registrable

Securities which person is guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) in connection with such sale shall be entitled to contribution from any person involved in such sale of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities pursuant to such Registration Statement.

8. Reports Under The 1934 Act.

Until the date on which (A) the Investors shall have sold all the Conversion Shares and the Warrant Shares and (B) none of the Notes or Warrants is outstanding, with a view to making available to the Investors the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration (“**Rule 144**”), the Company agrees to:

a. make and keep public information available, as those terms are understood and defined in Rule 144;

b. file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act so long as the Company remains subject to such requirements (it being understood that nothing herein shall limit the Company’s obligations under Section 4(c) of the Securities Purchase Agreement) and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

c. furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, to the extent not available on EDGAR, and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

9. Assignment of Registration Rights.

The rights under this Agreement shall be automatically assignable by the Investors to any transferee of Registrable Securities if: (i) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within three (3) Business Days after such assignment; (ii) the Company is, within three (3) Business Days after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned; (iii) immediately following such transfer or assignment the further disposition of such securities by the transferee or assignee is restricted under the 1933 Act and applicable state securities laws; (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein; and

(v) such transfer shall have been made in accordance with the applicable requirements of the Securities Purchase Agreement.

10. Amendment of Registration Rights.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Required Holders. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Investor and the Company. No such amendment shall be effective to the extent that it applies to less than all of the holders of the Registrable Securities. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

11. Miscellaneous.

a. A Person is deemed to be a holder of Registrable Securities whenever such Person owns or is deemed to own of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the such record owner of such Registrable Securities.

b. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

pSivida Limited
400 Pleasant Street
Watertown, MA 02472
U.S.A
Telephone: (617) 972-6278
Facsimile: (617) 812-2400
Attention: General Counsel

With a copy (which shall not constitute notice) to:

Curtis, Mallet-Prevost, Colt & Mosle LLP
101 Park Avenue
New York, N.Y. 10178
U.S.A.
Telephone: 212-696-6000
Facsimile: 212-697-1559
Attention: Lawrence Goodman, Esq.

If to Legal Counsel:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955
Attention: Eleazer Klein, Esq.

If to a Buyer, to its address and facsimile number set forth on the Schedule of Buyers attached hereto, with copies to such Buyer's representatives as set forth on the Schedule of Buyers, or to such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a courier or overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

c. The Company hereby irrevocably appoints pSivida Inc., 400 Pleasant Street, Watertown, MA 02472 ("**pSivida Inc.**") as its agent for the receipt of service of process in the United States. The Company agrees that any document may be effectively served on it in connection with any action, suit or proceeding in the United States by service on its agents. The Buyers consent and agree that the Company may, in its reasonable discretion, irrevocably appoint a substitute agent for the receipt of service of process located within the United States, and that upon such appointment, the appointment of pSivida Inc. may be revoked.

(1) Any document shall be deemed to have been duly served if marked for the attention of the agent at its address set forth above or such other address in the United States as may be notified to the party wishing to serve the document and (a) left at the specified address if its receipt is acknowledged in writing; or (b) sent to the specified address by post, registered mail return receipt requested. In the case of (a), the document will be deemed to have been duly served when it is left and signed for. In the case of (b), the document shall be deemed to have been duly served when received and acknowledged.

(2) If the Company's agent at any time ceases for any reason to act as such, the Company shall appoint a replacement agent having an address for service in the United States and shall notify each Buyer of the name and address of the replacement agent. Failing such appointment and notification, the Buyer shall be entitled by notice to the Company to appoint a replacement agent to act on the Company's behalf. The provisions of this Section 11(c) applying to service on an agent apply equally to service on a replacement agent.

d. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

e. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

f. This Agreement and the other Transaction Documents (as defined in the Second Amendment Agreement) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the other Transaction Documents supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

g. Subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto.

h. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

i. This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

j. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. All consents and other determinations required to be made by the Investors pursuant to this Agreement shall be made, unless otherwise specified in this Agreement, by the Required Holders, determined as if all of the Warrants then outstanding have been exercised for Registrable Securities without regard to any limitations on exercises of the Warrants.

l. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

m. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

n. The obligations of each Buyer hereunder are several and not joint with the obligations of any other Buyer, and no provision of this Agreement is intended to confer any obligations on any Buyer vis a vis any other Buyer. Nothing contained herein, and no action taken by any Buyer pursuant hereto, shall be deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated herein.

[Signature page follows.]

IN WITNESS WHEREOF, each Buyer and the Company have caused their respective signature page to this Registration Rights Agreement to be duly executed as of the date first written above.

COMPANY:

PSIVIDA LIMITED

By: /s/ Michael J. Soja

Name: Michael J. Soja

Title: Vice President, Finance and Chief Financial Officer

BUYERS:

CASTLERIGG MASTER INVESTMENTS LTD.

By: /s/ Timothy O'Brein

Name: Timothy O'Brein

Title: Chief Financial Officer

SCHEDULE OF BUYERS

Buyer

**Buyer Address
and Facsimile Number**

**Buyer's Representative's Address
and Facsimile Number**

Castlerigg Master Investments

c/o Sandell Asset Management Corp.
40 West 57th Street
26th Floor
New York, New York 10019
Attention: Cem Hacıoglu/Matthew Pliskin
Facsimile: (212) 603-5710
Telephone: (212) 603-5775

Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attn: Eleazer Klein, Esq.
Facsimile: (212) 593-5955
Telephone: (212) 756-2000

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

Citibank, N.A.
388 Greenwich Street, 14th Floor
New York, New York 10013
Attention: Paul Martin

Re: PSIVIDA LIMITED

Ladies and Gentlemen:

We have acted as special U.S. counsel to pSivida Limited, an Australian corporation (the “**Company**”), in connection with that certain Second Amended and Restated Amendment Agreement, dated as of May 15, 2007 (the “**Purchase Agreement**”), entered into by and among the Company and the buyers named therein (collectively, the “**Buyers**”), pursuant to which the Company issued to the Buyers warrants (the “**Warrants**”) exercisable for ADSs of the Company (the “**Warrant Shares**”). In connection with the Purchase Agreement, the Company entered into a Second Amended and Restated Registration Rights Agreement with the Buyers (the “**Registration Rights Agreement**”) pursuant to which the Company agreed, among other things, to register under the Securities Act of 1933, as amended (the “**1933 Act**”) the resale of the Registrable Securities (as defined in the Registration Rights Agreement), including, among other securities, the ADSs issuable upon exercise of the Warrants. In connection with the Company’s obligations under the Registration Rights Agreement, the Company filed a Registration Statement on Form F-3 (File No. _____) (the “**Registration Statement**”) with the Securities and Exchange Commission (the “**SEC**”) relating to the Initial Registrable Securities which names each of the Buyers as a selling security holder thereunder (the “**Selling Security Holders**”).

In connection with the foregoing, we advise you that the SEC’s website indicates that the SEC entered an order declaring the Registration Statement effective under the 1933 Act at [ENTER TIME OF EFFECTIVENESS] on [ENTER DATE OF EFFECTIVENESS], and we have no knowledge, after telephonic inquiry of a member of the SEC’s staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC, and that to our knowledge the Registrable Securities are available for resale under the 1933 Act pursuant to the Registration Statement.

This letter shall serve as our standing opinion to you that the ADSs are freely transferable by the Selling Security Holders pursuant to the Registration Statement. You need not require further letters from us to effect any future legend-free issuance or reissuance of ADSs to the Selling Security Holders as contemplated by the Company's Irrevocable Transfer Agent Instructions, dated May 15, 2007.

Very truly yours,

[ISSUER'S COUNSEL]

By: _____

CC: [LIST NAMES OF HOLDERS]

EXHIBIT B

SELLING STOCKHOLDERS

The ADSs being offered by the selling stockholders are issuable (i) upon conversion of the convertible notes, (ii) as interest on the convertible notes and (iii) upon exercise of the warrants. For additional information regarding the notes and warrants, see “Private Placement of Convertible Notes and Warrants” above. We are registering the ADSs in order to permit the selling stockholders to offer the ADSs for resale from time to time. Except for the ownership of the notes and the warrants, the selling stockholders have not had any material relationship with us within the past three years.

The table below lists the selling stockholders and other information regarding the beneficial ownership of the ordinary shares underlying the ADSs by each of the selling stockholders. The second column lists the number of ordinary shares beneficially owned (directly or indirectly through ADSs) by each selling stockholder, based on its ownership of the notes and the warrants, as of _____, 2007, assuming conversion of all the notes and exercise of all warrants held by the selling stockholders on that date, without regard to any limitations on conversions or exercise.

The third column lists the ordinary shares being offered by this prospectus by the selling stockholders.

In accordance with the terms of registration rights agreements with the holders of the notes and the warrants, this prospectus generally covers the resale of at least 130% of the sum of (i) the maximum number of ADSs issuable upon conversion of the notes (assuming that the notes are convertible at their initial Conversion Price and without taking into account any limitations on the conversion of the notes set forth in such notes), (ii) the maximum number of ADSs issuable upon exercise of the related warrants (without taking into account any limitations on the exercise of the warrants set forth in the warrants) and (iii) as interest on the convertible notes, in each case as of the Trading Day immediately preceding the date this registration statement was initially filed with the SEC. Because the conversion price of the notes and the exercise price of the warrants may be adjusted, the number of ADSs that will actually be issued may be more or less than the number of ADSs being offered by this prospectus. The fourth column assumes the sale of all of the ADSs offered by the selling stockholders pursuant to this prospectus.

Under the terms of the notes and the warrants, a selling stockholder may not convert the notes, or exercise the warrants, to the extent such conversion or exercise would cause such selling stockholder, together with its affiliates, to beneficially own a number of ordinary shares (directly or indirectly through ADSs) which would exceed 4.99% of our then outstanding ordinary shares following such conversion or exercise, excluding for purposes of such determination ordinary shares issuable upon conversion of the notes which have not been converted and upon exercise of the warrants which have not been exercised. The number of shares in the second column does not reflect this limitation. The selling stockholders may sell all, some or none of their ADSs in this offering. See “Plan of Distribution.”

Name of Selling Stockholder	Number of ADSs Owned Prior to Offering	Maximum Number of ADSs to be Sold Pursuant to this Prospectus	Number of ADSs Owned After Offering
Castlerigg Master Investments (1)			0

-
- (1) Sandell Asset Management Corp. (“SAMC”) is the investment manager of Castlerigg Master Investments Ltd. (“Master”). Thomas Sandell is the controlling person of SAMC and may be deemed to share beneficial ownership of the shares beneficially owned by Master. Castlerigg International Ltd. (“Castlerigg International”) is the controlling shareholder of Castlerigg International Holdings Limited (“Holdings”). Holdings is the controlling shareholder of Master. Each of Holdings and Castlerigg International may be deemed to share beneficial ownership of the shares beneficially owned by Castlerigg Master Investments. SAMC, Mr. Sandell, Holdings and Castlerigg International each disclaims beneficial ownership of the securities with respect to which indirect beneficial ownership is described.
-

PLAN OF DISTRIBUTION

We are registering the ADSs issuable upon conversion of the notes and upon exercise of the warrants and as interest on the convertible notes to permit the resale of these ADSs by the holders of the notes and the warrants from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling stockholders of the ADSs. We will bear all fees and expenses incident to our obligation to register the ADSs.

The selling stockholders may sell all or a portion of the ADSs beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the ADSs are sold through underwriters or broker-dealers, the selling stockholders will be responsible for underwriting discounts or commissions or agent's commissions. The ADSs may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
 - in the over-the-counter market;
 - in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
 - through the writing of options, whether such options are listed on an options exchange or otherwise;
 - ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
 - block trades in which the broker-dealer will attempt to sell the ADSs as agent but may position and resell a portion of the block as principal to facilitate the transaction;
 - purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
 - an exchange distribution in accordance with the rules of the applicable exchange;
 - privately negotiated transactions;
 - short sales;
 - pursuant to Rule 144 under the Securities Act;
 - broker-dealers may agree with the selling securityholders to sell a specified number of such ADSs at a stipulated price per ADR;
-

- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

If the selling stockholders effect such transactions by selling ADSs to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of the ADSs for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of the ADSs or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the ADSs in the course of hedging in positions they assume. The selling stockholders may also sell ADSs short and deliver ADSs covered by this prospectus to close out short positions. The selling stockholders may also loan or pledge ADSs to broker-dealers that in turn may sell such ADSs.

The selling stockholders may pledge or grant a security interest in some or all of the notes, warrants or the ADSs owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the ADSs from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer and donate the ADSs in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholders and any broker-dealer participating in the distribution of the ADSs may be deemed to be “underwriters” within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the ADSs is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of ADSs being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discounts, commissions or concessions allowed or reallocated or paid to broker-dealers.

Under the securities laws of some states, the ADSs may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the ADSs may not be sold unless such ADSs have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling stockholder will sell any or all of the ADSs registered pursuant to the shelf registration statement, of which this prospectus forms a part.

The selling stockholders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the ADSs by the selling stockholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the ADSs to engage in market-making activities with respect to the ADSs. All of the foregoing may affect the marketability of the ADSs and the ability of any person or entity to engage in market-making activities with respect to the ADSs.

We will pay all expenses of the registration of the ADSs pursuant to the registration rights agreement, estimated to be \$[] in total, including, without limitation, Securities and Exchange Commission filing fees and expenses of compliance with state securities or “blue sky” laws; provided, however, that a selling stockholder will pay all underwriting discounts and selling commissions, if any. We will indemnify the selling stockholders against liabilities, including some liabilities under the Securities Act, in accordance with the registration rights agreements, or the selling stockholders will be entitled to contribution. We may be indemnified by the selling stockholders against civil liabilities, including liabilities under the Securities Act, that may arise from any written information furnished to us by the selling stockholder specifically for use in this prospectus, in accordance with the related registration rights agreements, or we may be entitled to contribution.

Once sold under the shelf registration statement, of which this prospectus forms a part, the ADSs will be freely tradable in the hands of persons other than our affiliates.

SERIES D WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE 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 (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR (B) AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) IF SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT, SUCH DOCUMENTS, OPINIONS AND CERTIFICATES AS THE COMPANY MAY REASONABLY REQUIRE. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

PSIVIDA LIMITED

Series D Warrant To Purchase ADRS

Warrant No.: **Series D-1**
Number of ADRs: **4,000,000**
Date of Issuance: **May 15, 2007** (“**Issuance Date**”)

PSIVIDA LIMITED, an Australian corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CASTLERIGG MASTER INVESTMENTS LTD., the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase ADRs (as defined below) (including any Warrants to Purchase ADRs issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the date hereof, but not after 11:59 p.m., New York Time, on the Expiration Date (as defined below), representing up to Four Million (4,000,000) fully paid nonassessable ADRs (as defined below) (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 15. This Warrant is one of the Warrants to purchase Warrant Shares (the “**SPA Warrants**”) issued pursuant to Section 1 of that certain Amended and Restated Second Amendment Agreement, dated as of May 15, 2007 (the “**Subscription Date**”), by and among the Company and the investors (the “**Buyers**”) referred to therein (the “**Amendment Agreement**”).

1. EXERCISE OF WARRANT.

(a) **Mechanics of Exercise.** Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the date hereof, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and (ii) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash or wire transfer of immediately available funds. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the second (2nd) Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price the “**Exercise Delivery Documents**”), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the fifth (5th) Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the “**Share Delivery Date**”), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Ordinary Shares represented by the ADRs with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing the ADRs. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but, at the option of the Company, (i) the number of Warrant Shares to be issued shall be rounded up to the nearest whole number or (ii) in lieu of any fractional Warrant Shares to which the Holder would otherwise be entitled, the Company shall make a cash payment to the Holder equal to the Closing Sale Price on the date of exercise multiplied by such fraction. Upon exercise of this Warrant, the Company shall deposit the corresponding number of Ordinary Shares representing the American Depositary Shares (“**ADSs**”) underlying the ADRs and pay by wire transfer to the Depository’s account the ADS issuance fee of \$0.03 per ADS to be issued, together with all applicable taxes

and expenses otherwise payable under the terms of the Deposit Agreement for the deposit of Ordinary Shares and issuance of ADSs (including, without limitation, confirmation that any Australian stock transfer taxes in respect of such deposit (if any) have been paid by the Company), and the Company shall otherwise comply with and cause any other necessary party to comply with all the terms of the Deposit Agreement. The Company shall pay any and all taxes (excluding any taxes on the income of the Holder) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. Appropriate and equitable adjustment to the terms and provisions of this Warrant shall be made in the event of any change to the ratio of Warrant Shares to Ordinary Shares represented thereby.

In the event that the Company's Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a foreign private issuer (as defined under the Securities Act of 1933, as amended) all references to ADRs or ADSs shall be deemed references to whatever shares are then issued by the re-domiciled Company and all other provisions of this Warrant shall be equitably adjusted by the parties hereto to the extent necessary or appropriate to reflect such new country of incorporation.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means \$2.00 per ADR (which is equivalent to \$0.20 per Ordinary Share), subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company shall fail to issue to the Holder, the number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant and register such Warrant Shares on the Company's share register or to credit the Holder's balance account with DTC for such number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant on or prior to the date which is three (3) Business Days after receipt of the Exercise Delivery Documents (an "**Exercise Failure**"), then the Company shall pay damages in cash to the Holder for each date of such Exercise Failure in an amount equal to an interest rate equal to 10% per annum applied to the product of (X) the sum of the number of Warrant Shares not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled and (Y) the Closing Sale Price of the Warrant Shares on the Share Delivery Date. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of the facsimile copy of a Exercise Notice the Company shall fail to issue and deliver to the Holder and register such Warrant Shares on the Company's share register or credit the Holder's balance account with DTC for the number of Warrant Shares to which the Holder is entitled upon such holder's exercise hereunder, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) ADRs to deliver in satisfaction of a sale by the Holder of ADRs issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three (3) Business Days after the Holder's request 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 ADRs so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver and issue such ADRs shall be deemed to have been satisfied and shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such ADRs and pay cash to the Holder in an amount equal to the excess

(if any) of the Buy-In Price over the product of (A) such number of ADRs, times (B) the Closing Bid Price on the date of exercise.

(d) Registration Rights. Notwithstanding anything contained herein to the contrary, if a Registration Statement (as defined in the Registration Rights Agreement) covering the Warrant Shares that are the subject of the Exercise Notice (the “**Unavailable Warrant Shares**”) is not available for resale of such Unavailable Warrant Shares then the Holder may elect to exercise this Warrant for Warrant Shares in the form of ADRs or in the form of the Ordinary Shares underlying the ADRs and in either case the Company must, contemporaneous with the issue of the Warrant Shares that are the subject of the Exercise Notice, lodge with the ASX Limited a notice complying with section 708A(5)(E) of the Corporations Act 2001 and the ASX Listing Rules (“**Cleansing Notice**”) and notify the Holder that it has so lodged a Cleansing Notice, and upon the lodgement by the Company of the Cleansing Notice, the Holder is free to dispose of any Ordinary Shares or any interest in Ordinary Shares it holds on the Australian Stock Exchange Limited in the ordinary course of trading or otherwise in Australia to any person and the restrictions on sale in that certain Securities Purchase Agreement, dated as of October 5, 2005, by and among the Company and the buyers listed on the Schedule of Buyers attached thereto, as amended (the “**Securities Purchase Agreement**”), including without limitation in Section 2(j)(C) of the Securities Purchase Agreement, does not apply to any such disposal. Notwithstanding the foregoing, from after the second anniversary of the Issuance Date, in the event that the aggregate number of Ordinary Shares that trades on the ASX is less than either (i) an average of 50,000 Common Shares on each Trading Day during any two month period or (ii) a weighted average trading price of at least US\$50,000 on average during each Trading Day during any two month period, then at the request of the Holder the Company as of the date of such request once again (each of (i) and (ii), a “**Registration Event**”) shall be subject to the terms of the Registration Rights Agreement as to the Warrant Shares; provided, that the Holder makes such request within thirty (30) days of a Registration Event.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 12.

(f) Limitations on Exercises.

(i) Beneficial Ownership. The Company shall not effect the exercise of this Warrant, and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, the Holder (together with affiliates) would beneficially own (directly or indirectly through Warrant Shares or otherwise) in excess of 4.99% (the “**Maximum Percentage**”) of the Ordinary Shares outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned (directly or indirectly through Warrant Shares or otherwise) by the Holder and its affiliates shall include the number of Ordinary Shares underlying the Warrant Shares issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of Ordinary Shares underlying Warrant Shares which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant

beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Person and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as reflected in (1) the Company's most recent Form 20-F, Form 6-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or the Transfer Agent setting forth the number of Ordinary Shares outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including the SPA Securities and the SPA Warrants, by the Holder and its affiliates since the date as of which such number of outstanding Ordinary Shares was reported. By written notice to the Company, the Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder and not to any other holder of SPA Warrants.

(ii) Principal Market Regulation. The Company shall not be obligated to issue any ADRs upon exercise of this Warrant, and the Holder of this Warrant shall not have the right to receive upon conversion of this Warrant, any ADRs, if the issuance of such ADRs would exceed that number of ADRs which the Company may issue upon exercise of this Warrant (including, as applicable, any ADRs issued upon conversion of the SPA Securities) without breaching the Company's obligations under the rules or regulations of the Principal Market (or such other Eligible Market on which the ADRs or Ordinary Shares are listed) or the ASX (the "**Exchange Cap**"), except that such limitation shall not apply in the event that the Company obtains the approval of its stockholders as required by the applicable rules of the Principal Market and the ASX listing rules for issuances of ADRs in excess of such amount. Until such approval is obtained, no Buyer shall be issued, in the aggregate, upon exercise or conversion, as applicable, of any SPA Warrants or SPA Securities, any ADRs in an amount greater than the product of the Exchange Cap multiplied by a fraction, the numerator of which is the total number of ADRs underlying the SPA Warrants issued to such Buyer pursuant to the Amendment Agreement on the Subscription Date and the denominator of which is the aggregate number of ADRs underlying all the Warrants issued to the Buyers pursuant to the Amendment Agreement on the Subscription Date (with respect to each Buyer, the "**Exchange Cap Allocation**"). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's SPA Warrants, the transferee shall be allocated a pro rata portion of such Buyer's Exchange Cap Allocation, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Exchange Cap Allocation allocated to such transferee. In the event that any holder of SPA Warrants shall exercise all of such holder's SPA Warrants into a number of ADRs

which, in the aggregate, is less than such holder's Exchange Cap Allocation, then the difference between such holder's Exchange Cap Allocation and the number of ADRs actually issued to such holder shall be allocated to the respective Exchange Cap Allocations of the remaining holders of SPA Warrants on a pro rata basis in proportion to the ADRs underlying the SPA Warrants then held by each such holder.

2. ADJUSTMENT OF EXERCISE PRICE.

(a) Adjustment in the Event of a Rights Offering. If the Company issues or gives the holders of Ordinary Shares in the Company the right, pro rata with existing holdings of Ordinary Shares, to subscribe for additional securities ("**Pro Rata Issue**"), the Exercise Price in respect of one underlying Ordinary Share shall be reduced in accordance with the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O' = the new Exercise Price in respect of an underlying Ordinary Share.

O = the original Exercise Price in respect of an underlying Ordinary Share.

E = the number of underlying Ordinary Shares to be issued on exercise of each Warrant.

P = the average market price per Ordinary Share (weighted by reference to volume) of the Ordinary Shares during the 5 trading days ending before the ex rights date or ex entitlements date.

S = the subscription price for an Ordinary Share under the Pro Rata Issue.

D = the dividend due but not paid on the existing Ordinary Shares (excluding those to be issued under the Pro Rata Issue).

N = the number of Ordinary Shares which must be held to receive one new Share in the Pro Rata Issue.

(b) Adjustment upon pro rata bonus issue of Ordinary Shares. If the Company makes a pro rata bonus issue of Ordinary Shares to its shareholders prior to the Warrant being exercised, and the Warrant is not exercised prior to the record date for the issue, the Warrant will, when exercised, entitle the Holder to the number of Warrant Shares that would ordinarily be received under Section 1, plus the number of bonus Ordinary Shares which would have been issued to the Holder if the Warrant had been exercised prior to the record date.

(c) Adjustment upon Subdivision or Combination of Ordinary Shares. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a greater number of ADRs (or Ordinary Shares), the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a smaller number of ADRs (or Ordinary Shares underlying such ADRs), the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately decreased. Any adjustment under this Section 2(c) shall be subject to (and will be correspondingly reorganized in a manner which is permissible under, or necessary to comply with) the ASX Listing Rules or the rules of any Recognized Exchange in force at the relevant time and shall become effective at the close of business on the date the subdivision or combination becomes effective.

(d) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; provided that such adjustment is made in accordance with the ASX Listing Rules. No such adjustment pursuant to this Section 2(d) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, unless in accordance with any ASX Listing Rule.

(e) Other Capital Reorganizations. Notwithstanding any other provision contained in this Warrant, the rights of a warrant holder will be changed to the extent necessary to comply with the listing rules applying to a reorganization of capital at the time of reorganization. Subject to the above, if there is a reorganization of the capital of the Company, the number of Warrant Shares applicable to the Warrant and/or Exercise Price of the Warrant will be reorganized as follows: (i) if the Company returns capital on its Ordinary Shares, the number of Warrant Shares applicable to the Warrant will remain the same, and the Exercise Price of each Warrant will be reduced by the same amount as the amount returned in relation to each Ordinary Share; (ii) if the Company returns capital on its Ordinary Shares by a cancellation of capital that is lost or not represented by available assets, the number of Warrant Shares applicable to the Warrant and the Exercise Price is unaltered; (iii) if the Company reduces its issued Ordinary Shares on a pro rata basis, the number of Warrant Shares applicable to the Warrant will be reduced in the same ratio as the Ordinary Shares and the Exercise Price will be amended in inverse proportion to that ratio; and (iv) if the Company reorganizes its issued Ordinary Shares in any way not otherwise contemplated by the preceding paragraphs, the number of Warrant Shares applicable to the Warrant or the Exercise Price or both will be reorganized so that the Warrant Holder will not receive a benefit that holders of Ordinary Shares do not receive. The Company shall give notice to Warrant Holders of any adjustments to the number of Warrant Shares applicable to the Warrant or the number of Ordinary Shares which are to be issued on exercise of

a Warrant or to the Exercise Price. Before a Warrant is exercised, all adjustment calculations are to be carried out including all fractions (in relation to each of the number of Warrant Shares applicable to the Warrant, the number of Ordinary Shares and the Exercise Price), but on exercise the number of Warrant Shares or Ordinary Shares issued is rounded down to the next lower whole number and the Exercise Price rounded up to the next higher cent.

3. FUNDAMENTAL TRANSACTIONS. The Company shall not enter into or be party to a Fundamental Transaction unless, and shall use its best endeavors to procure that, (i) the Successor Entity (if other than the Company) assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section (4)(b) pursuant to written agreements in form and substance reasonably satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of such Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the Ordinary Shares reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares underlying the Warrant Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and reasonably satisfactory to the Required Holders and (ii) such Successor Entity is a publicly traded corporation whose common shares (or whose American Depositary Shares) are quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, such Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the "Company" shall refer instead to such Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction, such Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the Warrant Shares (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity), as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Ordinary Shares (directly or indirectly through Warrant Shares or otherwise) are entitled to receive securities or other assets with respect to or in exchange for Ordinary Shares (a "Corporate Event"), the Company shall make appropriate provision, to the extent not prohibited by applicable law, to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the Fundamental Transaction but prior to the Expiration Date, in lieu of the Warrant Shares purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such securities or other assets which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had the Warrant been exercised immediately prior to such Fundamental Transaction. The provisions of this Section shall apply similarly and

equally to successive Fundamental Transactions and Corporate Events and shall be applied without regard to any limitations on the exercise of this Warrant.

4. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Constitution or 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 Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any Ordinary Shares underlying the Warrant Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect and (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant.

5. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the shareholders of the Company generally, contemporaneously with the giving thereof to the shareholders.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and

cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional Warrant Shares shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of Warrant Shares underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES; CURRENCY.

(a) Notices. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, 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) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares or Warrant Shares, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of Ordinary Shares or Warrant Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, 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) Currency. Unless otherwise indicated, all dollar amounts referred to in this Warrant are in United States Dollars.

8. AMENDMENT AND WAIVER. The provisions of this Warrant may be amended by the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the

written consent of the Required Holders and approval from the holders of Ordinary Shares at a shareholders meeting held in accordance with the ASX Listing Rules and *Corporations Act 2001* (Cth) or if otherwise permitted by the ASX Listing Rules. Notwithstanding any provision of this Warrant, a term of this Warrant which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of Warrant Shares or Ordinary Shares received on exercise is prohibited if it would result in a breach of the ASX Listing Rules. Notwithstanding the above, no change may increase the exercise price of any SPA Warrant or decrease the number of Warrant Shares or class of stock obtainable upon exercise of any SPA Warrant without the written consent of the Holder, unless otherwise provided in the ASX Listing Rules. A change which has the effect of reducing the purchase price, increasing the period for exercise or increasing the number of securities received cannot be made. In addition, subject to the ASX Listing Rules, no such amendment shall be effective to the extent that it applies to less than all of the holders of the SPA Warrants then outstanding.

9. **SEVERABILITY**. If any provision of this Warrant or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of the terms of this Warrant will continue in full force and effect.

10. **GOVERNING LAW**. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

11. **CONSTRUCTION; HEADINGS**. This Warrant shall be deemed to be jointly drafted by the Company and all the Buyers and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

12. **DISPUTE RESOLUTION**. In the case of a dispute as to the determination of the Exercise Price or the calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice 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 within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company at the Company's expense, shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

13. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and 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 right of the Holder right to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. 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 of this Warrant 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.

14. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company, except as may otherwise be required by Section 2(f) of the Securities Purchase Agreement.

15. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) “**ADRs**” means the American Depositary Receipts of the Company evidencing the American Depositary Shares of the Company which each represent ten (10) Ordinary Shares.

(b) “**ASX**” means the Australian Stock Exchange.

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

(d) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York, State of New York, U.S.A. or Perth, Australia are authorized or required by law to remain closed.

(e) “**Closing Bid Price**” and “**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 on the Principal Market, as reported by Bloomberg, or, if the Principal Market 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 Principal Market 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 Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or 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 12. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(f) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for ADRs or Ordinary Shares.

(g) “**Deposit Agreement**” means that certain Deposit Agreement, dated as of January 24, 2005 by and among the Company, the Depository and the holders and beneficial owners from time to time of ADSs evidenced by ADRs issued pursuant to such agreement.

(h) “**Depository**” means Citibank, N.A., acting in such capacity under the Deposit Agreement.

(i) “**Eligible Market**” means the Principal Market, The New York Stock Exchange, Inc., the American Stock Exchange or The Nasdaq Capital Market.

(j) “**Expiration Date**” means the date that is sixty months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(k) “**Fundamental Transaction**” means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding Ordinary Shares (not including any Ordinary Shares 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 (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Ordinary Shares.

(l) “**Options**” means any rights, warrants or options to subscribe for or purchase ADRs, Ordinary Shares or Convertible Securities.

(m) “**Ordinary Shares**” means (i) the Company’s ordinary shares of common stock, no par value per share, and (ii) any share capital into which such Ordinary Shares shall have been changed or any share capital resulting from a reclassification of such Ordinary Shares.

(n) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(o) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(p) **“Principal Market”** means the Nasdaq Global Market.

(q) **“Registration Rights Agreement”** means that certain Second Amended and Restated Registration Rights Agreement by and among the Company and the Buyers, as such agreement may be amended from time to time.

(r) **“Required Holders”** means the holders of the SPA Warrants representing at least a majority of Warrant Shares underlying the SPA Warrants then outstanding.

(s) **“SPA Securities”** means the Notes issued pursuant to the Amendment Agreement.

(t) **“Successor Entity”** means the Person, which may be the Company, formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been made, provided that if such Person is not a publicly traded entity whose common stock or equivalent equity security is quoted or listed for trading on an Eligible Market, Successor Entity shall mean such Person’s Parent Entity.

(u) **“Trading Day”** means any day on which the ADRs are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the ADRs, then on the principal securities exchange or securities market on which the ADRs are then traded; provided that “Trading Day” shall not include any day on which the ADRs are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the ADRs are 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).

(v) **“Transaction Documents”** has the meaning set forth in the Securities Purchase Agreement.

[Signature Page Follows]

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

PSIVIDA LIMITED

By: /s/ Michael J. Soja

Name: Michael J. Soja

Title: Vice President, Finance and Chief Financial Officer

**EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE ADRS**

PSIVIDA LIMITED

The undersigned holder hereby exercises the right to purchase _____ of the ADRs, each of which representing ten (10) ordinary shares (“**Ordinary Shares**”) of pSivida Limited, an Australian corporation (the “**Company**”), evidenced by the attached Warrant to Purchase ADRs (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Payment of Exercise Price. The undersigned holder shall pay the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

2. Delivery of ADRs. The Company shall deliver to the holder _____ ADRs in accordance with the terms of the Warrant.

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Citibank, N.A. to issue the above indicated number of Ordinary Shares in accordance with the Transfer Agent Instructions dated _____ from the Company and acknowledged and agreed to by Citibank, N.A.

PSIVIDA LIMITED

By: _____
Name:
Title:

SERIES E WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE 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 (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR (B) AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) IF SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT, SUCH DOCUMENTS, OPINIONS AND CERTIFICATES AS THE COMPANY MAY REASONABLY REQUIRE. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

PSIVIDA LIMITED

Series E Warrant To Purchase ADRS

Warrant No.: **Series E-1**
Number of ADRs: **4,000,000**
Date of Issuance: **May 15, 2007 ("Issuance Date")**

PSIVIDA LIMITED, an Australian corporation (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CASTLERIGG MASTER INVESTMENTS LTD., the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase ADRs (as defined below) (including any Warrants to Purchase ADRs issued in exchange, transfer or replacement hereof, the "**Warrant**"), at any time or times on or after the date hereof, but not after 11:59 p.m., New York Time, on the Expiration Date (as defined below), representing up to Four Million (4,000,000) fully paid nonassessable ADRs (as defined below) (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 15. This Warrant is one of the Warrants to purchase Warrant Shares (the "**SPA Warrants**") issued pursuant to Section 1 of that certain Amended and Restated Second Amendment Agreement, dated as of May 15, 2007 (the "**Subscription Date**"), by and among the Company and the investors (the "**Buyers**") referred to therein (the "**Amendment Agreement**").

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the date hereof, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and (ii) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash or wire transfer of immediately available funds. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the second (2nd) Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price the “**Exercise Delivery Documents**”), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the fifth (5th) Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the “**Share Delivery Date**”), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Ordinary Shares represented by the ADRs with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing the ADRs. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but, at the option of the Company, (i) the number of Warrant Shares to be issued shall be rounded up to the nearest whole number or (ii) in lieu of any fractional Warrant Shares to which the Holder would otherwise be entitled, the Company shall make a cash payment to the Holder equal to the Closing Sale Price on the date of exercise multiplied by such fraction. Upon exercise of this Warrant, the Company shall deposit the corresponding number of Ordinary Shares representing the American Depositary Shares (“**ADSs**”) underlying the ADRs and pay by wire transfer to the Depository’s account the ADS issuance fee of \$0.03 per ADS to be issued, together with all applicable taxes

and expenses otherwise payable under the terms of the Deposit Agreement for the deposit of Ordinary Shares and issuance of ADSs (including, without limitation, confirmation that any Australian stock transfer taxes in respect of such deposit (if any) have been paid by the Company), and the Company shall otherwise comply with and cause any other necessary party to comply with all the terms of the Deposit Agreement. The Company shall pay any and all taxes (excluding any taxes on the income of the Holder) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. Appropriate and equitable adjustment to the terms and provisions of this Warrant shall be made in the event of any change to the ratio of Warrant Shares to Ordinary Shares represented thereby.

In the event that the Company's Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a foreign private issuer (as defined under the Securities Act of 1933, as amended) all references to ADRs or ADSs shall be deemed references to whatever shares are then issued by the re-domiciled Company and all other provisions of this Warrant shall be equitably adjusted by the parties hereto to the extent necessary or appropriate to reflect such new country of incorporation.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means \$1.57 per ADR (which is equivalent to \$0.157 per Ordinary Share), subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company shall fail to issue to the Holder, the number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant and register such Warrant Shares on the Company's share register or to credit the Holder's balance account with DTC for such number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant on or prior to the date which is three (3) Business Days after receipt of the Exercise Delivery Documents (an "**Exercise Failure**"), then the Company shall pay damages in cash to the Holder for each date of such Exercise Failure in an amount equal to an interest rate equal to 10% per annum applied to the product of (X) the sum of the number of Warrant Shares not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled and (Y) the Closing Sale Price of the Warrant Shares on the Share Delivery Date. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of the facsimile copy of a Exercise Notice the Company shall fail to issue and deliver to the Holder and register such Warrant Shares on the Company's share register or credit the Holder's balance account with DTC for the number of Warrant Shares to which the Holder is entitled upon such holder's exercise hereunder, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) ADRs to deliver in satisfaction of a sale by the Holder of ADRs issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three (3) Business Days after the Holder's request 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 ADRs so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver and issue such ADRs shall be deemed to have been satisfied and shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such ADRs and pay cash to the Holder in an amount equal to the excess

(if any) of the Buy-In Price over the product of (A) such number of ADRs, times (B) the Closing Bid Price on the date of exercise.

(d) Registration Rights. Notwithstanding anything contained herein to the contrary, if a Registration Statement (as defined in the Registration Rights Agreement) covering the Warrant Shares that are the subject of the Exercise Notice (the “**Unavailable Warrant Shares**”) is not available for resale of such Unavailable Warrant Shares then the Holder may elect to exercise this Warrant for Warrant Shares in the form of ADRs or in the form of the Ordinary Shares underlying the ADRs and in either case the Company must, contemporaneous with the issue of the Warrant Shares that are the subject of the Exercise Notice, lodge with the ASX Limited a notice complying with section 708A(5)(E) of the Corporations Act 2001 and the ASX Listing Rules (“**Cleansing Notice**”) and notify the Holder that it has so lodged a Cleansing Notice, and upon the lodgement by the Company of the Cleansing Notice, the Holder is free to dispose of any Ordinary Shares or any interest in Ordinary Shares it holds on the Australian Stock Exchange Limited in the ordinary course of trading or otherwise in Australia to any person and the restrictions on sale in that certain Securities Purchase Agreement, dated as of October 5, 2005, by and among the Company and the buyers listed on the Schedule of Buyers attached thereto, as amended (the “**Securities Purchase Agreement**”), including without limitation in Section 2(j)(C) of the Securities Purchase Agreement, does not apply to any such disposal. Notwithstanding the foregoing, from after the second anniversary of the Issuance Date, in the event that the aggregate number of Ordinary Shares that trades on the ASX is less than either (i) an average of 50,000 Common Shares on each Trading Day during any two month period or (ii) a weighted average trading price of at least US\$50,000 on average during each Trading Day during any two month period, then at the request of the Holder the Company as of the date of such request once again (each of (i) and (ii), a “**Registration Event**”) shall be subject to the terms of the Registration Rights Agreement as to the Warrant Shares; provided, that the Holder makes such request within thirty (30) days of a Registration Event.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 12.

(f) Limitations on Exercises.

(i) Beneficial Ownership. The Company shall not effect the exercise of this Warrant, and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, the Holder (together with affiliates) would beneficially own (directly or indirectly through Warrant Shares or otherwise) in excess of 4.99% (the “**Maximum Percentage**”) of the Ordinary Shares outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned (directly or indirectly through Warrant Shares or otherwise) by the Holder and its affiliates shall include the number of Ordinary Shares underlying the Warrant Shares issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of Ordinary Shares underlying Warrant Shares which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant

beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Person and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as reflected in (1) the Company's most recent Form 20-F, Form 6-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or the Transfer Agent setting forth the number of Ordinary Shares outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including the SPA Securities and the SPA Warrants, by the Holder and its affiliates since the date as of which such number of outstanding Ordinary Shares was reported. By written notice to the Company, the Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder and not to any other holder of SPA Warrants.

(ii) Principal Market Regulation. The Company shall not be obligated to issue any ADRs upon exercise of this Warrant, and the Holder of this Warrant shall not have the right to receive upon conversion of this Warrant, any ADRs, if the issuance of such ADRs would exceed that number of ADRs which the Company may issue upon exercise of this Warrant (including, as applicable, any ADRs issued upon conversion of the SPA Securities) without breaching the Company's obligations under the rules or regulations of the Principal Market (or such other Eligible Market on which the ADRs or Ordinary Shares are listed) or the ASX (the "**Exchange Cap**"), except that such limitation shall not apply in the event that the Company obtains the approval of its stockholders as required by the applicable rules of the Principal Market and the ASX listing rules for issuances of ADRs in excess of such amount. Until such approval is obtained, no Buyer shall be issued, in the aggregate, upon exercise or conversion, as applicable, of any SPA Warrants or SPA Securities, any ADRs in an amount greater than the product of the Exchange Cap multiplied by a fraction, the numerator of which is the total number of ADRs underlying the SPA Warrants issued to such Buyer pursuant to the Amendment Agreement on the Subscription Date and the denominator of which is the aggregate number of ADRs underlying all the Warrants issued to the Buyers pursuant to the Amendment Agreement on the Subscription Date (with respect to each Buyer, the "**Exchange Cap Allocation**"). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's SPA Warrants, the transferee shall be allocated a pro rata portion of such Buyer's Exchange Cap Allocation, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Exchange Cap Allocation allocated to such transferee. In the event that any holder of SPA Warrants shall exercise all of such holder's SPA Warrants into a number of ADRs

which, in the aggregate, is less than such holder's Exchange Cap Allocation, then the difference between such holder's Exchange Cap Allocation and the number of ADRs actually issued to such holder shall be allocated to the respective Exchange Cap Allocations of the remaining holders of SPA Warrants on a pro rata basis in proportion to the ADRs underlying the SPA Warrants then held by each such holder.

2. ADJUSTMENT OF EXERCISE PRICE.

(a) Adjustment in the Event of a Rights Offering. If the Company issues or gives the holders of Ordinary Shares in the Company the right, pro rata with existing holdings of Ordinary Shares, to subscribe for additional securities ("**Pro Rata Issue**"), the Exercise Price in respect of one underlying Ordinary Share shall be reduced in accordance with the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O' = the new Exercise Price in respect of an underlying Ordinary Share.

O = the original Exercise Price in respect of an underlying Ordinary Share.

E = the number of underlying Ordinary Shares to be issued on exercise of each Warrant.

P = the average market price per Ordinary Share (weighted by reference to volume) of the Ordinary Shares during the 5 trading days ending before the ex rights date or ex entitlements date.

S = the subscription price for an Ordinary Share under the Pro Rata Issue.

D = the dividend due but not paid on the existing Ordinary Shares (excluding those to be issued under the Pro Rata Issue).

N = the number of Ordinary Shares which must be held to receive one new Share in the Pro Rata Issue.

(b) Adjustment upon pro rata bonus issue of Ordinary Shares. If the Company makes a pro rata bonus issue of Ordinary Shares to its shareholders prior to the Warrant being exercised, and the Warrant is not exercised prior to the record date for the issue, the Warrant will, when exercised, entitle the Holder to the number of Warrant Shares that would ordinarily be received under Section 1, plus the number of bonus Ordinary Shares which would have been issued to the Holder if the Warrant had been exercised prior to the record date.

(c) Adjustment upon Subdivision or Combination of Ordinary Shares. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a greater number of ADRs (or Ordinary Shares), the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a smaller number of ADRs (or Ordinary Shares underlying such ADRs), the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately decreased. Any adjustment under this Section 2(c) shall be subject to (and will be correspondingly reorganized in a manner which is permissible under, or necessary to comply with) the ASX Listing Rules or the rules of any Recognized Exchange in force at the relevant time and shall become effective at the close of business on the date the subdivision or combination becomes effective.

(d) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; provided that such adjustment is made in accordance with the ASX Listing Rules. No such adjustment pursuant to this Section 2(d) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, unless in accordance with any ASX Listing Rule.

(e) Other Capital Reorganizations. Notwithstanding any other provision contained in this Warrant, the rights of a warrant holder will be changed to the extent necessary to comply with the listing rules applying to a reorganization of capital at the time of reorganization. Subject to the above, if there is a reorganization of the capital of the Company, the number of Warrant Shares applicable to the Warrant and/or Exercise Price of the Warrant will be reorganized as follows: (i) if the Company returns capital on its Ordinary Shares, the number of Warrant Shares applicable to the Warrant will remain the same, and the Exercise Price of each Warrant will be reduced by the same amount as the amount returned in relation to each Ordinary Share; (ii) if the Company returns capital on its Ordinary Shares by a cancellation of capital that is lost or not represented by available assets, the number of Warrant Shares applicable to the Warrant and the Exercise Price is unaltered; (iii) if the Company reduces its issued Ordinary Shares on a pro rata basis, the number of Warrant Shares applicable to the Warrant will be reduced in the same ratio as the Ordinary Shares and the Exercise Price will be amended in inverse proportion to that ratio; and (iv) if the Company reorganizes its issued Ordinary Shares in any way not otherwise contemplated by the preceding paragraphs, the number of Warrant Shares applicable to the Warrant or the Exercise Price or both will be reorganized so that the Warrant Holder will not receive a benefit that holders of Ordinary Shares do not receive. The Company shall give notice to Warrant Holders of any adjustments to the number of Warrant Shares applicable to the Warrant or the number of Ordinary Shares which are to be issued on exercise of

a Warrant or to the Exercise Price. Before a Warrant is exercised, all adjustment calculations are to be carried out including all fractions (in relation to each of the number of Warrant Shares applicable to the Warrant, the number of Ordinary Shares and the Exercise Price), but on exercise the number of Warrant Shares or Ordinary Shares issued is rounded down to the next lower whole number and the Exercise Price rounded up to the next higher cent.

3. FUNDAMENTAL TRANSACTIONS. The Company shall not enter into or be party to a Fundamental Transaction unless, and shall use its best endeavors to procure that, (i) the Successor Entity (if other than the Company) assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section (4)(b) pursuant to written agreements in form and substance reasonably satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of such Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the Ordinary Shares reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares underlying the Warrant Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and reasonably satisfactory to the Required Holders and (ii) such Successor Entity is a publicly traded corporation whose common shares (or whose American Depositary Shares) are quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, such Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the “Company” shall refer instead to such Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction, such Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the Warrant Shares (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity), as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Ordinary Shares (directly or indirectly through Warrant Shares or otherwise) are entitled to receive securities or other assets with respect to or in exchange for Ordinary Shares (a “Corporate Event”), the Company shall make appropriate provision, to the extent not prohibited by applicable law, to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the Fundamental Transaction but prior to the Expiration Date, in lieu of the Warrant Shares purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such, securities or other, assets which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had the Warrant been exercised immediately prior to such Fundamental Transaction. The provisions of this Section shall apply similarly and

equally to successive Fundamental Transactions and Corporate Events and shall be applied without regard to any limitations on the exercise of this Warrant.

4. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Constitution or 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 Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any Ordinary Shares underlying the Warrant Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect and (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant.

5. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the shareholders of the Company generally, contemporaneously with the giving thereof to the shareholders.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and

cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional Warrant Shares shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of Warrant Shares underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES; CURRENCY.

(a) Notices. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, 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) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares or Warrant Shares, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of Ordinary Shares or Warrant Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, 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) Currency. Unless otherwise indicated, all dollar amounts referred to in this Warrant are in United States Dollars.

8. AMENDMENT AND WAIVER. The provisions of this Warrant may be amended by the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the

written consent of the Required Holders and approval from the holders of Ordinary Shares at a shareholders meeting held in accordance with the ASX Listing Rules and *Corporations Act 2001* (Cth) or if otherwise permitted by the ASX Listing Rules. Notwithstanding any provision of this Warrant, a term of this Warrant which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of Warrant Shares or Ordinary Shares received on exercise is prohibited if it would result in a breach of the ASX Listing Rules. Notwithstanding the above, no change may increase the exercise price of any SPA Warrant or decrease the number of Warrant Shares or class of stock obtainable upon exercise of any SPA Warrant without the written consent of the Holder, unless otherwise provided in the ASX Listing Rules. A change which has the effect of reducing the purchase price, increasing the period for exercise or increasing the number of securities received cannot be made. In addition, subject to the ASX Listing Rules, no such amendment shall be effective to the extent that it applies to less than all of the holders of the SPA Warrants then outstanding.

9. SEVERABILITY. If any provision of this Warrant or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of the terms of this Warrant will continue in full force and effect.

10. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

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

12. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice 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 within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company at the Company's expense, shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

13. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and 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 right of the Holder right to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. 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 of this Warrant 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.

14. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company, except as may otherwise be required by Section 2(f) of the Securities Purchase Agreement.

15. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) **“ADRs”** means the American Depositary Receipts of the Company evidencing the American Depositary Shares of the Company which each represent ten (10) Ordinary Shares.

(b) **“ASX”** means the Australian Stock Exchange.

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

(d) **“Business Day”** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York, State of New York, U.S.A. or Perth, Australia are authorized or required by law to remain closed.

(e) **“Closing Bid Price”** and **“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 on the Principal Market, as reported by Bloomberg, or, if the Principal Market 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 Principal Market 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 Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or 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 12. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(f) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for ADRs or Ordinary Shares.

(g) “**Deposit Agreement**” means that certain Deposit Agreement, dated as of January 24, 2005 by and among the Company, the Depository and the holders and beneficial owners from time to time of ADSs evidenced by ADRs issued pursuant to such agreement.

(h) “**Depository**” means Citibank, N.A., acting in such capacity under the Deposit Agreement.

(i) “**Eligible Market**” means the Principal Market, The New York Stock Exchange, Inc., the American Stock Exchange or The Nasdaq Capital Market.

(j) “**Expiration Date**” means the date that is sixty months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(k) “**Fundamental Transaction**” means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding Ordinary Shares (not including any Ordinary Shares 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 (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Ordinary Shares.

(l) “**Options**” means any rights, warrants or options to subscribe for or purchase ADRs, Ordinary Shares or Convertible Securities.

(m) “**Ordinary Shares**” means (i) the Company’s ordinary shares of common stock, no par value per share, and (ii) any share capital into which such Ordinary Shares shall have been changed or any share capital resulting from a reclassification of such Ordinary Shares.

(n) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(o) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(p) **“Principal Market”** means the Nasdaq Global Market.

(q) **“Registration Rights Agreement”** means that certain Second Amended and Restated Registration Rights Agreement by and among the Company and the Buyers, as such agreement may be amended from time to time.

(r) **“Required Holders”** means the holders of the SPA Warrants representing at least a majority of Warrant Shares underlying the SPA Warrants then outstanding.

(s) **“SPA Securities”** means the Notes issued pursuant to the Amendment Agreement.

(t) **“Successor Entity”** means the Person, which may be the Company, formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been made, provided that if such Person is not a publicly traded entity whose common stock or equivalent equity security is quoted or listed for trading on an Eligible Market, Successor Entity shall mean such Person’s Parent Entity.

(u) **“Trading Day”** means any day on which the ADRs are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the ADRs, then on the principal securities exchange or securities market on which the ADRs are then traded; provided that “Trading Day” shall not include any day on which the ADRs are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the ADRs are 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).

(v) **“Transaction Documents”** has the meaning set forth in the Securities Purchase Agreement.

[Signature Page Follows]

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

PSIVIDA LIMITED

By: /s/ Michael J. Soja

Name: Michael J. Soja

Title: Vice President, Finance and Chief Financial Officer

**EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE ADRS**

PSIVIDA LIMITED

The undersigned holder hereby exercises the right to purchase _____ of the ADRs, each of which representing ten (10) ordinary shares (“**Ordinary Shares**”) of pSivida Limited, an Australian corporation (the “**Company**”), evidenced by the attached Warrant to Purchase ADRs (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Payment of Exercise Price. The undersigned holder shall pay the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

2. Delivery of ADRs. The Company shall deliver to the holder _____ ADRs in accordance with the terms of the Warrant.

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Citibank, N.A. to issue the above indicated number of Ordinary Shares in accordance with the Transfer Agent Instructions dated _____ from the Company and acknowledged and agreed to by Citibank, N.A.

PSIVIDA LIMITED

By: _____

Name:

Title:

SERIES F WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE 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 (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR (B) AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) IF SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT, SUCH DOCUMENTS, OPINIONS AND CERTIFICATES AS THE COMPANY MAY REASONABLY REQUIRE. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

PSIVIDA LIMITED

Series F Warrant To Purchase ADRS

Warrant No.: **Series F-1**
Number of ADRs: **1,000,000**
Date of Issuance: **May 15, 2007** (“**Issuance Date**”)

PSIVIDA LIMITED, an Australian corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CASTLERIGG MASTER INVESTMENTS LTD., the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase ADRs (as defined below) (including any Warrants to Purchase ADRs issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the date hereof, but not after 11:59 p.m., New York Time, on the Expiration Date (as defined below), representing up to One Million (1,000,000) fully paid nonassessable ADRs (as defined below) (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 15. This Warrant is one of the Warrants to purchase Warrant Shares (the “**SPA Warrants**”) issued pursuant to Section 1 of that certain Amended and Restated Second Amendment Agreement, dated as of May 15, 2007 (the “**Subscription Date**”), by and among the Company and the investors (the “**Buyers**”) referred to therein (the “**Amendment Agreement**”).

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the date hereof, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and (ii) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash or wire transfer of immediately available funds. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the second (2nd) Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price the “**Exercise Delivery Documents**”), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the fifth (5th) Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the “**Share Delivery Date**”), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Ordinary Shares represented by the ADRs with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing the ADRs. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but, at the option of the Company, (i) the number of Warrant Shares to be issued shall be rounded up to the nearest whole number or (ii) in lieu of any fractional Warrant Shares to which the Holder would otherwise be entitled, the Company shall make a cash payment to the Holder equal to the Closing Sale Price on the date of exercise multiplied by such fraction. Upon exercise of this Warrant, the Company shall deposit the corresponding number of Ordinary Shares representing the American Depositary Shares (“**ADSs**”) underlying the ADRs and pay by wire transfer to the Depository’s account the ADS issuance fee of \$0.03 per ADS to be issued, together with all applicable taxes

and expenses otherwise payable under the terms of the Deposit Agreement for the deposit of Ordinary Shares and issuance of ADSs (including, without limitation, confirmation that any Australian stock transfer taxes in respect of such deposit (if any) have been paid by the Company), and the Company shall otherwise comply with and cause any other necessary party to comply with all the terms of the Deposit Agreement. The Company shall pay any and all taxes (excluding any taxes on the income of the Holder) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. Appropriate and equitable adjustment to the terms and provisions of this Warrant shall be made in the event of any change to the ratio of Warrant Shares to Ordinary Shares represented thereby.

In the event that the Company's Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a foreign private issuer (as defined under the Securities Act of 1933, as amended) all references to ADRs or ADSs shall be deemed references to whatever shares are then issued by the re-domiciled Company and all other provisions of this Warrant shall be equitably adjusted by the parties hereto to the extent necessary or appropriate to reflect such new country of incorporation.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means \$1.95 per ADR (which is equivalent to \$0.195 per Ordinary Share), subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company shall fail to issue to the Holder, the number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant and register such Warrant Shares on the Company's share register or to credit the Holder's balance account with DTC for such number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant on or prior to the date which is three (3) Business Days after receipt of the Exercise Delivery Documents (an "**Exercise Failure**"), then the Company shall pay damages in cash to the Holder for each date of such Exercise Failure in an amount equal to an interest rate equal to 10% per annum applied to the product of (X) the sum of the number of Warrant Shares not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled and (Y) the Closing Sale Price of the Warrant Shares on the Share Delivery Date. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of the facsimile copy of a Exercise Notice the Company shall fail to issue and deliver to the Holder and register such Warrant Shares on the Company's share register or credit the Holder's balance account with DTC for the number of Warrant Shares to which the Holder is entitled upon such holder's exercise hereunder, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) ADRs to deliver in satisfaction of a sale by the Holder of ADRs issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three (3) Business Days after the Holder's request 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 ADRs so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver and issue such ADRs shall be deemed to have been satisfied and shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such ADRs and pay cash to the Holder in an amount equal to the excess

(if any) of the Buy-In Price over the product of (A) such number of ADRs, times (B) the Closing Bid Price on the date of exercise.

(d) Registration Rights. Notwithstanding anything contained herein to the contrary, if a Registration Statement (as defined in the Registration Rights Agreement) covering the Warrant Shares that are the subject of the Exercise Notice (the “**Unavailable Warrant Shares**”) is not available for resale of such Unavailable Warrant Shares then the Holder may elect to exercise this Warrant for Warrant Shares in the form of ADRs or in the form of the Ordinary Shares underlying the ADRs and in either case the Company must, contemporaneous with the issue of the Warrant Shares that are the subject of the Exercise Notice, lodge with the ASX Limited a notice complying with section 708A(5)(E) of the Corporations Act 2001 and the ASX Listing Rules (“**Cleansing Notice**”) and notify the Holder that it has so lodged a Cleansing Notice, and upon the lodgement by the Company of the Cleansing Notice, the Holder is free to dispose of any Ordinary Shares or any interest in Ordinary Shares it holds on the Australian Stock Exchange Limited in the ordinary course of trading or otherwise in Australia to any person and the restrictions on sale in that certain Securities Purchase Agreement, dated as of October 5, 2005, by and among the Company and the buyers listed on the Schedule of Buyers attached thereto, as amended (the “**Securities Purchase Agreement**”), including without limitation in Section 2(j)(C) of the Securities Purchase Agreement, does not apply to any such disposal. Notwithstanding the foregoing, from after the second anniversary of the Issuance Date, in the event that the aggregate number of Ordinary Shares that trades on the ASX is less than either (i) an average of 50,000 Common Shares on each Trading Day during any two month period or (ii) a weighted average trading price of at least US\$50,000 on average during each Trading Day during any two month period, then at the request of the Holder the Company as of the date of such request once again (each of (i) and (ii), a “**Registration Event**”) shall be subject to the terms of the Registration Rights Agreement as to the Warrant Shares; provided, that the Holder makes such request within thirty (30) days of a Registration Event.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 12.

(f) Limitations on Exercises.

(i) Beneficial Ownership. The Company shall not effect the exercise of this Warrant, and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, the Holder (together with affiliates) would beneficially own (directly or indirectly through Warrant Shares or otherwise) in excess of 4.99% (the “**Maximum Percentage**”) of the Ordinary Shares outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned (directly or indirectly through Warrant Shares or otherwise) by the Holder and its affiliates shall include the number of Ordinary Shares underlying the Warrant Shares issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of Ordinary Shares underlying Warrant Shares which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant

beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Person and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as reflected in (1) the Company's most recent Form 20-F, Form 6-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or the Transfer Agent setting forth the number of Ordinary Shares outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including the SPA Securities and the SPA Warrants, by the Holder and its affiliates since the date as of which such number of outstanding Ordinary Shares was reported. By written notice to the Company, the Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder and not to any other holder of SPA Warrants.

(ii) Principal Market Regulation. The Company shall not be obligated to issue any ADRs upon exercise of this Warrant, and the Holder of this Warrant shall not have the right to receive upon conversion of this Warrant, any ADRs, if the issuance of such ADRs would exceed that number of ADRs which the Company may issue upon exercise of this Warrant (including, as applicable, any ADRs issued upon conversion of the SPA Securities) without breaching the Company's obligations under the rules or regulations of the Principal Market (or such other Eligible Market on which the ADRs or Ordinary Shares are listed) or the ASX (the "**Exchange Cap**"), except that such limitation shall not apply in the event that the Company obtains the approval of its stockholders as required by the applicable rules of the Principal Market and the ASX listing rules for issuances of ADRs in excess of such amount. Until such approval is obtained, no Buyer shall be issued, in the aggregate, upon exercise or conversion, as applicable, of any SPA Warrants or SPA Securities, any ADRs in an amount greater than the product of the Exchange Cap multiplied by a fraction, the numerator of which is the total number of ADRs underlying the SPA Warrants issued to such Buyer pursuant to the Amendment Agreement on the Subscription Date and the denominator of which is the aggregate number of ADRs underlying all the Warrants issued to the Buyers pursuant to the Amendment Agreement on the Subscription Date (with respect to each Buyer, the "**Exchange Cap Allocation**"). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's SPA Warrants, the transferee shall be allocated a pro rata portion of such Buyer's Exchange Cap Allocation, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Exchange Cap Allocation allocated to such transferee. In the event that any holder of SPA Warrants shall exercise all of such holder's SPA Warrants into a number of ADRs

which, in the aggregate, is less than such holder's Exchange Cap Allocation, then the difference between such holder's Exchange Cap Allocation and the number of ADRs actually issued to such holder shall be allocated to the respective Exchange Cap Allocations of the remaining holders of SPA Warrants on a pro rata basis in proportion to the ADRs underlying the SPA Warrants then held by each such holder.

2. ADJUSTMENT OF EXERCISE PRICE.

(a) Adjustment in the Event of a Rights Offering. If the Company issues or gives the holders of Ordinary Shares in the Company the right, pro rata with existing holdings of Ordinary Shares, to subscribe for additional securities ("**Pro Rata Issue**"), the Exercise Price in respect of one underlying Ordinary Share shall be reduced in accordance with the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O' = the new Exercise Price in respect of an underlying Ordinary Share.

O = the original Exercise Price in respect of an underlying Ordinary Share.

E = the number of underlying Ordinary Shares to be issued on exercise of each Warrant.

P = the average market price per Ordinary Share (weighted by reference to volume) of the Ordinary Shares during the 5 trading days ending before the ex rights date or ex entitlements date.

S = the subscription price for an Ordinary Share under the Pro Rata Issue.

D = the dividend due but not paid on the existing Ordinary Shares (excluding those to be issued under the Pro Rata Issue).

N = the number of Ordinary Shares which must be held to receive one new Share in the Pro Rata Issue.

(b) Adjustment upon pro rata bonus issue of Ordinary Shares. If the Company makes a pro rata bonus issue of Ordinary Shares to its shareholders prior to the Warrant being exercised, and the Warrant is not exercised prior to the record date for the issue, the Warrant will, when exercised, entitle the Holder to the number of Warrant Shares that would ordinarily be received under Section 1, plus the number of bonus Ordinary Shares which would have been issued to the Holder if the Warrant had been exercised prior to the record date.

(c) Adjustment upon Subdivision or Combination of Ordinary Shares. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a greater number of ADRs (or Ordinary Shares), the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a smaller number of ADRs (or Ordinary Shares underlying such ADRs), the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately decreased. Any adjustment under this Section 2(c) shall be subject to (and will be correspondingly reorganized in a manner which is permissible under, or necessary to comply with) the ASX Listing Rules or the rules of any Recognized Exchange in force at the relevant time and shall become effective at the close of business on the date the subdivision or combination becomes effective.

(d) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; provided that such adjustment is made in accordance with the ASX Listing Rules. No such adjustment pursuant to this Section 2(d) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, unless in accordance with any ASX Listing Rule.

(e) Other Capital Reorganizations. Notwithstanding any other provision contained in this Warrant, the rights of a warrant holder will be changed to the extent necessary to comply with the listing rules applying to a reorganization of capital at the time of reorganization. Subject to the above, if there is a reorganization of the capital of the Company, the number of Warrant Shares applicable to the Warrant and/or Exercise Price of the Warrant will be reorganized as follows: (i) if the Company returns capital on its Ordinary Shares, the number of Warrant Shares applicable to the Warrant will remain the same, and the Exercise Price of each Warrant will be reduced by the same amount as the amount returned in relation to each Ordinary Share; (ii) if the Company returns capital on its Ordinary Shares by a cancellation of capital that is lost or not represented by available assets, the number of Warrant Shares applicable to the Warrant and the Exercise Price is unaltered; (iii) if the Company reduces its issued Ordinary Shares on a pro rata basis, the number of Warrant Shares applicable to the Warrant will be reduced in the same ratio as the Ordinary Shares and the Exercise Price will be amended in inverse proportion to that ratio; and (iv) if the Company reorganizes its issued Ordinary Shares in any way not otherwise contemplated by the preceding paragraphs, the number of Warrant Shares applicable to the Warrant or the Exercise Price or both will be reorganized so that the Warrant Holder will not receive a benefit that holders of Ordinary Shares do not receive. The Company shall give notice to Warrant Holders of any adjustments to the number of Warrant Shares applicable to the Warrant or the number of Ordinary Shares which are to be issued on exercise of

a Warrant or to the Exercise Price. Before a Warrant is exercised, all adjustment calculations are to be carried out including all fractions (in relation to each of the number of Warrant Shares applicable to the Warrant, the number of Ordinary Shares and the Exercise Price), but on exercise the number of Warrant Shares or Ordinary Shares issued is rounded down to the next lower whole number and the Exercise Price rounded up to the next higher cent.

3. FUNDAMENTAL TRANSACTIONS. The Company shall not enter into or be party to a Fundamental Transaction unless, and shall use its best endeavors to procure that, (i) the Successor Entity (if other than the Company) assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section (4)(b) pursuant to written agreements in form and substance reasonably satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of such Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the Ordinary Shares reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares underlying the Warrant Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and reasonably satisfactory to the Required Holders and (ii) such Successor Entity is a publicly traded corporation whose common shares (or whose American Depositary Shares) are quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, such Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the “Company” shall refer instead to such Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction, such Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the Warrant Shares (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity), as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Ordinary Shares (directly or indirectly through Warrant Shares or otherwise) are entitled to receive securities or other assets with respect to or in exchange for Ordinary Shares (a “Corporate Event”), the Company shall make appropriate provision, to the extent not prohibited by applicable law, to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the Fundamental Transaction but prior to the Expiration Date, in lieu of the Warrant Shares purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such, securities or other, assets which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had the Warrant been exercised immediately prior to such Fundamental Transaction. The provisions of this Section shall apply similarly and

equally to successive Fundamental Transactions and Corporate Events and shall be applied without regard to any limitations on the exercise of this Warrant.

4. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Constitution or 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 Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any Ordinary Shares underlying the Warrant Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect and (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant.

5. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the shareholders of the Company generally, contemporaneously with the giving thereof to the shareholders.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and

cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional Warrant Shares shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of Warrant Shares underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES; CURRENCY.

(a) Notices. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, 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) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares or Warrant Shares, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of Ordinary Shares or Warrant Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, 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) Currency. Unless otherwise indicated, all dollar amounts referred to in this Warrant are in United States Dollars.

8. AMENDMENT AND WAIVER. The provisions of this Warrant may be amended by the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the

written consent of the Required Holders and approval from the holders of Ordinary Shares at a shareholders meeting held in accordance with the ASX Listing Rules and *Corporations Act 2001* (Cth) or if otherwise permitted by the ASX Listing Rules. Notwithstanding any provision of this Warrant, a term of this Warrant which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of Warrant Shares or Ordinary Shares received on exercise is prohibited if it would result in a breach of the ASX Listing Rules. Notwithstanding the above, no change may increase the exercise price of any SPA Warrant or decrease the number of Warrant Shares or class of stock obtainable upon exercise of any SPA Warrant without the written consent of the Holder, unless otherwise provided in the ASX Listing Rules. A change which has the effect of reducing the purchase price, increasing the period for exercise or increasing the number of securities received cannot be made. In addition, subject to the ASX Listing Rules, no such amendment shall be effective to the extent that it applies to less than all of the holders of the SPA Warrants then outstanding.

9. SEVERABILITY. If any provision of this Warrant or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of the terms of this Warrant will continue in full force and effect.

10. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

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

12. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice 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 within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company at the Company's expense, shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

13. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and 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 right of the Holder right to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. 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 of this Warrant 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.

14. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company, except as may otherwise be required by Section 2(f) of the Securities Purchase Agreement.

15. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) **“ADRs”** means the American Depositary Receipts of the Company evidencing the American Depositary Shares of the Company which each represent ten (10) Ordinary Shares.

(b) **“ASX”** means the Australian Stock Exchange.

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

(d) **“Business Day”** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York, State of New York, U.S.A. or Perth, Australia are authorized or required by law to remain closed.

(e) **“Closing Bid Price”** and **“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 on the Principal Market, as reported by Bloomberg, or, if the Principal Market 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 Principal Market 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 Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or 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 12. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(f) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for ADRs or Ordinary Shares.

(g) “**Deposit Agreement**” means that certain Deposit Agreement, dated as of January 24, 2005 by and among the Company, the Depository and the holders and beneficial owners from time to time of ADSs evidenced by ADRs issued pursuant to such agreement.

(h) “**Depository**” means Citibank, N.A., acting in such capacity under the Deposit Agreement.

(i) “**Eligible Market**” means the Principal Market, The New York Stock Exchange, Inc., the American Stock Exchange or The Nasdaq Capital Market.

(j) “**Expiration Date**” means the date that is sixty months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(k) “**Fundamental Transaction**” means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding Ordinary Shares (not including any Ordinary Shares 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 (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Ordinary Shares.

(l) “**Options**” means any rights, warrants or options to subscribe for or purchase ADRs, Ordinary Shares or Convertible Securities.

(m) “**Ordinary Shares**” means (i) the Company’s ordinary shares of common stock, no par value per share, and (ii) any share capital into which such Ordinary Shares shall have been changed or any share capital resulting from a reclassification of such Ordinary Shares.

(n) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(o) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(p) **“Principal Market”** means the Nasdaq Global Market.

(q) **“Registration Rights Agreement”** means that certain Second Amended and Restated Registration Rights Agreement by and among the Company and the Buyers, as such agreement may be amended from time to time.

(r) **“Required Holders”** means the holders of the SPA Warrants representing at least a majority of Warrant Shares underlying the SPA Warrants then outstanding.

(s) **“SPA Securities”** means the Notes issued pursuant to the Amendment Agreement.

(t) **“Successor Entity”** means the Person, which may be the Company, formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been made, provided that if such Person is not a publicly traded entity whose common stock or equivalent equity security is quoted or listed for trading on an Eligible Market, Successor Entity shall mean such Person’s Parent Entity.

(u) **“Trading Day”** means any day on which the ADRs are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the ADRs, then on the principal securities exchange or securities market on which the ADRs are then traded; provided that “Trading Day” shall not include any day on which the ADRs are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the ADRs are 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).

(v) **“Transaction Documents”** has the meaning set forth in the Securities Purchase Agreement.

[Signature Page Follows]

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

PSIVIDA LIMITED

By: /s/ Michael J. Soja

Name: Michael J. Soja

Title: Vice President, Finance and Chief Financial Officer

**EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE ADRS**

PSIVIDA LIMITED

The undersigned holder hereby exercises the right to purchase _____ of the ADRs, each of which representing ten (10) ordinary shares (“**Ordinary Shares**”) of pSivida Limited, an Australian corporation (the “**Company**”), evidenced by the attached Warrant to Purchase ADRs (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Payment of Exercise Price. The undersigned holder shall pay the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

2. Delivery of ADRs. The Company shall deliver to the holder _____ ADRs in accordance with the terms of the Warrant.

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Citibank, N.A. to issue the above indicated number of Ordinary Shares in accordance with the Transfer Agent Instructions dated _____ from the Company and acknowledged and agreed to by Citibank, N.A.

PSIVIDA LIMITED

By: _____

Name:

Title:

SERIES G WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE 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 (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR (B) AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) IF SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT, SUCH DOCUMENTS, OPINIONS AND CERTIFICATES AS THE COMPANY MAY REASONABLY REQUIRE. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

PSIVIDA LIMITED

Series G Warrant To Purchase ADRS

Warrant No.: **Series G-1**
Number of ADRs: **2,341,347**
Date of Issuance: **May 15, 2007 ("Issuance Date")**

PSIVIDA LIMITED, an Australian corporation (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CASTLERIGG MASTER INVESTMENTS LTD., the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase ADRs (as defined below) (including any Warrants to Purchase ADRs issued in exchange, transfer or replacement hereof, the "**Warrant**"), at any time or times on or after the date hereof, but not after 11:59 p.m., New York Time, on the Expiration Date (as defined below), representing up to Two Million Three Hundred Forty One Thousand Three Hundred Forty Seven (2,341,347) fully paid nonassessable ADRs (as defined below) (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 15. This Warrant is one of the Warrants to purchase Warrant Shares (the "**SPA Warrants**") issued pursuant to Section 1 of that certain Amended and Restated Second Amendment Agreement, dated as of May 15, 2007 (the "**Subscription Date**"), by and among the Company and the investors (the "**Buyers**") referred to therein (the "**Amendment Agreement**").

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the date hereof, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and (ii) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash or wire transfer of immediately available funds. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the second (2nd) Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price the “**Exercise Delivery Documents**”), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the fifth (5th) Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the “**Share Delivery Date**”), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Ordinary Shares represented by the ADRs with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing the ADRs. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but, at the option of the Company, (i) the number of Warrant Shares to be issued shall be rounded up to the nearest whole number or (ii) in lieu of any fractional Warrant Shares to which the Holder would otherwise be entitled, the Company shall make a cash payment to the Holder equal to the Closing Sale Price on the date of exercise multiplied by such fraction. Upon exercise of this Warrant, the Company shall deposit the corresponding number of Ordinary Shares representing the American Depositary Shares (“**ADSs**”) underlying the ADRs and pay by wire transfer to the Depository’s account the ADS issuance fee of \$0.03 per ADS to be issued, together with all applicable taxes and expenses otherwise payable under the terms of the Deposit Agreement for the deposit of

Ordinary Shares and issuance of ADSs (including, without limitation, confirmation that any Australian stock transfer taxes in respect of such deposit (if any) have been paid by the Company), and the Company shall otherwise comply with and cause any other necessary party to comply with all the terms of the Deposit Agreement. The Company shall pay any and all taxes (excluding any taxes on the income of the Holder) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. Appropriate and equitable adjustment to the terms and provisions of this Warrant shall be made in the event of any change to the ratio of Warrant Shares to Ordinary Shares represented thereby.

In the event that the Company's Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a foreign private issuer (as defined under the Securities Act of 1933, as amended) all references to ADRs or ADSs shall be deemed references to whatever shares are then issued by the re-domiciled Company and all other provisions of this Warrant shall be equitably adjusted by the parties hereto to the extent necessary or appropriate to reflect such new country of incorporation.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means \$1.21 per ADR (which is equivalent to \$0.121 per Ordinary Share), subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company shall fail to issue to the Holder, the number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant and register such Warrant Shares on the Company's share register or to credit the Holder's balance account with DTC for such number of Warrant Shares to which the Holder is entitled upon the Holder's exercise of this Warrant on or prior to the date which is three (3) Business Days after receipt of the Exercise Delivery Documents (an "**Exercise Failure**"), then the Company shall pay damages in cash to the Holder for each date of such Exercise Failure in an amount equal to an interest rate equal to 10% per annum applied to the product of (X) the sum of the number of Warrant Shares not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled and (Y) the Closing Sale Price of the Warrant Shares on the Share Delivery Date. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of the facsimile copy of a Exercise Notice the Company shall fail to issue and deliver to the Holder and register such Warrant Shares on the Company's share register or credit the Holder's balance account with DTC for the number of Warrant Shares to which the Holder is entitled upon such holder's exercise hereunder, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) ADRs to deliver in satisfaction of a sale by the Holder of ADRs issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three (3) Business Days after the Holder's request 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 ADRs so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver and issue such ADRs shall be deemed to have been satisfied and shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such ADRs and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of ADRs, times (B) the Closing Bid Price on the date of exercise.

(d) Registration Rights. Notwithstanding anything contained herein to the contrary, if a Registration Statement (as defined in the Registration Rights Agreement) covering the Warrant Shares that are the subject of the Exercise Notice (the “**Unavailable Warrant Shares**”) is not available for resale of such Unavailable Warrant Shares then the Holder may elect to exercise this Warrant for Warrant Shares in the form of ADRs or in the form of the Ordinary Shares underlying the ADRs and in either case the Company must, contemporaneous with the issue of the Warrant Shares that are the subject of the Exercise Notice, lodge with the ASX Limited a notice complying with section 708A(5)(E) of the Corporations Act 2001 and the ASX Listing Rules (“**Cleansing Notice**”) and notify the Holder that it has so lodged a Cleansing Notice, and upon the lodgement by the Company of the Cleansing Notice, the Holder is free to dispose of any Ordinary Shares or any interest in Ordinary Shares it holds on the Australian Stock Exchange Limited in the ordinary course of trading or otherwise in Australia to any person and the restrictions on sale in that certain Securities Purchase Agreement, dated as of October 5, 2005, by and among the Company and the buyers listed on the Schedule of Buyers attached thereto, as amended (the “**Securities Purchase Agreement**”), including without limitation in Section 2(j)(C) of the Securities Purchase Agreement, does not apply to any such disposal. Notwithstanding the foregoing, from after the second anniversary of the Issuance Date, in the event that the aggregate number of Ordinary Shares that trades on the ASX is less than either (i) an average of 50,000 Common Shares on each Trading Day during any two month period or (ii) a weighted average trading price of at least US\$50,000 on average during each Trading Day during any two month period, then at the request of the Holder the Company as of the date of such request once again (each of (i) and (ii), a “**Registration Event**”) shall be subject to the terms of the Registration Rights Agreement as to the Warrant Shares; provided, that the Holder makes such request within thirty (30) days of a Registration Event.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 12.

(f) Limitations on Exercises.

(i) Beneficial Ownership. The Company shall not effect the exercise of this Warrant, and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, the Holder (together with affiliates) would beneficially own (directly or indirectly through Warrant Shares or otherwise) in excess of 4.99% (the “**Maximum Percentage**”) of the Ordinary Shares outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned (directly or indirectly through Warrant Shares or otherwise) by the Holder and its affiliates shall include the number of Ordinary Shares underlying the Warrant Shares issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of Ordinary Shares underlying Warrant Shares which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Person and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise

analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as reflected in (1) the Company's most recent Form 20-F, Form 6-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or the Transfer Agent setting forth the number of Ordinary Shares outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including the SPA Securities and the SPA Warrants, by the Holder and its affiliates since the date as of which such number of outstanding Ordinary Shares was reported. By written notice to the Company, the Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder and not to any other holder of SPA Warrants.

(ii) Principal Market Regulation. The Company shall not be obligated to issue any ADRs upon exercise of this Warrant, and the Holder of this Warrant shall not have the right to receive upon conversion of this Warrant, any ADRs, if the issuance of such ADRs would exceed that number of ADRs which the Company may issue upon exercise of this Warrant (including, as applicable, any ADRs issued upon conversion of the SPA Securities) without breaching the Company's obligations under the rules or regulations of the Principal Market (or such other Eligible Market on which the ADRs or Ordinary Shares are listed) or the ASX (the "**Exchange Cap**"), except that such limitation shall not apply in the event that the Company obtains the approval of its stockholders as required by the applicable rules of the Principal Market and the ASX listing rules for issuances of ADRs in excess of such amount. Until such approval is obtained, no Buyer shall be issued, in the aggregate, upon exercise or conversion, as applicable, of any SPA Warrants or SPA Securities, any ADRs in an amount greater than the product of the Exchange Cap multiplied by a fraction, the numerator of which is the total number of ADRs underlying the SPA Warrants issued to such Buyer pursuant to the Amendment Agreement on the Subscription Date and the denominator of which is the aggregate number of ADRs underlying all the Warrants issued to the Buyers pursuant to the Amendment Agreement on the Subscription Date (with respect to each Buyer, the "**Exchange Cap Allocation**"). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's SPA Warrants, the transferee shall be allocated a pro rata portion of such Buyer's Exchange Cap Allocation, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Exchange Cap Allocation allocated to such transferee. In the event that any holder of SPA Warrants shall exercise all of such holder's SPA Warrants into a number of ADRs which, in the aggregate, is less than such holder's Exchange Cap Allocation, then the difference between such holder's Exchange Cap Allocation and the number of ADRs actually issued to such holder shall be allocated to the respective Exchange Cap Allocations of the remaining holders of SPA Warrants on a pro rata basis in proportion to the ADRs underlying the SPA Warrants then held by each such holder.

2. ADJUSTMENT OF EXERCISE PRICE.

(a) Adjustment in the Event of a Rights Offering. If the Company issues or gives the holders of Ordinary Shares in the Company the right, pro rata with existing holdings of Ordinary Shares, to subscribe for additional securities (“**Pro Rata Issue**”), the Exercise Price in respect of one underlying Ordinary Share shall be reduced in accordance with the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O' = the new Exercise Price in respect of an underlying Ordinary Share.

O = the original Exercise Price in respect of an underlying Ordinary Share.

E = the number of underlying Ordinary Shares to be issued on exercise of each Warrant.

P = the average market price per Ordinary Share (weighted by reference to volume) of the Ordinary Shares during the 5 trading days ending before the ex rights date or ex entitlements date.

S = the subscription price for an Ordinary Share under the Pro Rata Issue.

D = the dividend due but not paid on the existing Ordinary Shares (excluding those to be issued under the Pro Rata Issue).

N = the number of Ordinary Shares which must be held to receive one new Share in the Pro Rata Issue.

(b) Adjustment upon pro rata bonus issue of Ordinary Shares. If the Company makes a pro rata bonus issue of Ordinary Shares to its shareholders prior to the Warrant being exercised, and the Warrant is not exercised prior to the record date for the issue, the Warrant will, when exercised, entitle the Holder to the number of Warrant Shares that would ordinarily be received under Section 1, plus the number of bonus Ordinary Shares which would have been issued to the Holder if the Warrant had been exercised prior to the record date.

(c) Adjustment upon Subdivision or Combination of Ordinary Shares. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a greater number of ADRs (or Ordinary Shares), the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately increased. If the Company at any time on or after the Subscription Date combines

(by combination, reverse stock split or otherwise) one or more classes of its outstanding ADRs (or Ordinary Shares underlying such ADRs) into a smaller number of ADRs (or Ordinary Shares underlying such ADRs), the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares (or Ordinary Shares underlying such Warrant Shares) will be proportionately decreased. Any adjustment under this Section 2(c) shall be subject to (and will be correspondingly reorganized in a manner which is permissible under, or necessary to comply with) the ASX Listing Rules or the rules of any Recognized Exchange in force at the relevant time and shall become effective at the close of business on the date the subdivision or combination becomes effective.

(d) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; provided that such adjustment is made in accordance with the ASX Listing Rules. No such adjustment pursuant to this Section 2(d) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, unless in accordance with any ASX Listing Rule.

(e) Other Capital Reorganizations. Notwithstanding any other provision contained in this Warrant, the rights of a warrant holder will be changed to the extent necessary to comply with the listing rules applying to a reorganization of capital at the time of reorganization. Subject to the above, if there is a reorganization of the capital of the Company, the number of Warrant Shares applicable to the Warrant and/or Exercise Price of the Warrant will be reorganized as follows: (i) if the Company returns capital on its Ordinary Shares, the number of Warrant Shares applicable to the Warrant will remain the same, and the Exercise Price of each Warrant will be reduced by the same amount as the amount returned in relation to each Ordinary Share; (ii) if the Company returns capital on its Ordinary Shares by a cancellation of capital that is lost or not represented by available assets, the number of Warrant Shares applicable to the Warrant and the Exercise Price is unaltered; (iii) if the Company reduces its issued Ordinary Shares on a pro rata basis, the number of Warrant Shares applicable to the Warrant will be reduced in the same ratio as the Ordinary Shares and the Exercise Price will be amended in inverse proportion to that ratio; and (iv) if the Company reorganizes its issued Ordinary Shares in any way not otherwise contemplated by the preceding paragraphs, the number of Warrant Shares applicable to the Warrant or the Exercise Price or both will be reorganized so that the Warrant Holder will not receive a benefit that holders of Ordinary Shares do not receive. The Company shall give notice to Warrant Holders of any adjustments to the number of Warrant Shares applicable to the Warrant or the number of Ordinary Shares which are to be issued on exercise of a Warrant or to the Exercise Price. Before a Warrant is exercised, all adjustment calculations are to be carried out including all fractions (in relation to each of the number of Warrant Shares applicable to the Warrant, the number of Ordinary Shares and the Exercise Price), but on exercise the number of Warrant Shares or Ordinary Shares issued is rounded down to the next lower whole number and the Exercise Price rounded up to the next higher cent.

3. FUNDAMENTAL TRANSACTIONS. The Company shall not enter into or be party to a Fundamental Transaction unless, and shall use its best endeavors to procure that, (i)

the Successor Entity (if other than the Company) assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section (4)(b) pursuant to written agreements in form and substance reasonably satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of such Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the Ordinary Shares reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares underlying the Warrant Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and reasonably satisfactory to the Required Holders and (ii) such Successor Entity is a publicly traded corporation whose common shares (or whose American Depositary Shares) are quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, such Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the "Company" shall refer instead to such Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction, such Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the Warrant Shares (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity), as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Ordinary Shares (directly or indirectly through Warrant Shares or otherwise) are entitled to receive securities or other assets with respect to or in exchange for Ordinary Shares (a "Corporate Event"), the Company shall make appropriate provision, to the extent not prohibited by applicable law, to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the Fundamental Transaction but prior to the Expiration Date, in lieu of the Warrant Shares purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such, securities or other, assets which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had the Warrant been exercised immediately prior to such Fundamental Transaction. The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and Corporate Events and shall be applied without regard to any limitations on the exercise of this Warrant.

4. **NONCIRCUMVENTION**. The Company hereby covenants and agrees that the Company will not, by amendment of its Constitution or 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 Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the

par value of any Ordinary Shares underlying the Warrant Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect and (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant.

5. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the shareholders of the Company generally, contemporaneously with the giving thereof to the shareholders.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional Warrant Shares shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of Warrant Shares underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES; CURRENCY.

(a) Notices. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, 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) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares or Warrant Shares, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of Ordinary Shares or Warrant Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, 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) Currency. Unless otherwise indicated, all dollar amounts referred to in this Warrant are in United States Dollars.

8. AMENDMENT AND WAIVER. The provisions of this Warrant may be amended by the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Required Holders and approval from the holders of Ordinary Shares at a shareholders meeting held in accordance with the ASX Listing Rules and *Corporations Act 2001* (Cth) or if otherwise permitted by the ASX Listing Rules. Notwithstanding any provision of this Warrant, a term of this Warrant which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of Warrant Shares or Ordinary Shares received on exercise is prohibited if it would result in a breach of the ASX Listing Rules. Notwithstanding the above, no change may increase the exercise price of any SPA Warrant or decrease the number of Warrant Shares or class of stock obtainable upon exercise of any SPA Warrant without the written consent of the Holder, unless otherwise provided in the ASX Listing Rules. A change which has the effect of reducing the purchase price, increasing the period for exercise or increasing the number of securities received cannot be made. In addition, subject to the ASX Listing Rules, no such amendment shall be effective to the extent that it applies to less than all of the holders of the SPA Warrants then outstanding.

9. SEVERABILITY. If any provision of this Warrant or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of the terms of this Warrant will continue in full force and effect.

10. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

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

12. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice 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 within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company at the Company's expense, shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

13. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and 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 right of the Holder right to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. 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 of this Warrant 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.

14. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company, except as may otherwise be required by Section 2(f) of the Securities Purchase Agreement.

15. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) “**ADRs**” means the American Depositary Receipts of the Company evidencing the American Depositary Shares of the Company which each represent ten (10) Ordinary Shares.

(b) “**ASX**” means the Australian Stock Exchange.

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

(d) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York, State of New York, U.S.A. or Perth, Australia are authorized or required by law to remain closed.

(e) “**Closing Bid Price**” and “**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 on the Principal Market, as reported by Bloomberg, or, if the Principal Market 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 Principal Market 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 Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or 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 12. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(f) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for ADRs or Ordinary Shares.

(g) “**Deposit Agreement**” means that certain Deposit Agreement, dated as of January 24, 2005 by and among the Company, the Depository and the holders and beneficial owners from time to time of ADSs evidenced by ADRs issued pursuant to such agreement.

(h) “**Depository**” means Citibank, N.A., acting in such capacity under the Deposit Agreement.

(i) “**Eligible Market**” means the Principal Market, The New York Stock Exchange, Inc., the American Stock Exchange or The Nasdaq Capital Market.

(j) “**Expiration Date**” means the date that is sixty months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(k) “**Fundamental Transaction**” means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding Ordinary Shares (not including any Ordinary Shares 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 (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Ordinary Shares.

(l) “**Options**” means any rights, warrants or options to subscribe for or purchase ADRs, Ordinary Shares or Convertible Securities.

(m) “**Ordinary Shares**” means (i) the Company’s ordinary shares of common stock, no par value per share, and (ii) any share capital into which such Ordinary Shares shall have been changed or any share capital resulting from a reclassification of such Ordinary Shares.

(n) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(o) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(p) **“Principal Market”** means the Nasdaq Global Market.

(q) **“Registration Rights Agreement”** means that certain Second Amended and Restated Registration Rights Agreement by and among the Company and the Buyers, as such agreement may be amended from time to time.

(r) **“Required Holders”** means the holders of the SPA Warrants representing at least a majority of Warrant Shares underlying the SPA Warrants then outstanding.

(s) **“SPA Securities”** means the Notes issued pursuant to the Amendment Agreement.

(t) **“Successor Entity”** means the Person, which may be the Company, formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been made, provided that if such Person is not a publicly traded entity whose common stock or equivalent equity security is quoted or listed for trading on an Eligible Market, Successor Entity shall mean such Person’s Parent Entity.

(u) **“Trading Day”** means any day on which the ADRs are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the ADRs, then on the principal securities exchange or securities market on which the ADRs are then traded; provided that “Trading Day” shall not include any day on which the ADRs are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the ADRs are 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).

(v) **“Transaction Documents”** has the meaning set forth in the Securities Purchase Agreement.

[Signature Page Follows]

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

PSIVIDA LIMITED

By: /s/ Michael J. Soja

Name: Michael J. Soja

Title: Vice President, Finance and Chief Financial Officer

**EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE ADRS**

PSIVIDA LIMITED

The undersigned holder hereby exercises the right to purchase _____ of the ADRs, each of which representing ten (10) ordinary shares (“**Ordinary Shares**”) of pSivida Limited, an Australian corporation (the “**Company**”), evidenced by the attached Warrant to Purchase ADRs (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Payment of Exercise Price. The undersigned holder shall pay the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

2. Delivery of ADRs. The Company shall deliver to the holder _____ ADRs in accordance with the terms of the Warrant.

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Citibank, N.A. to issue the above indicated number of Ordinary Shares in accordance with the Transfer Agent Instructions dated _____ from the Company and acknowledged and agreed to by Citibank, N.A.

PSIVIDA LIMITED

By: _____

Name:

Title:
