As filed with the Securities and Exchange Commission on March 6, 2007.

Registration No. 333-_____

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

FORM F-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

pSivida Limited

(Exact name of Registrant as specified in its charter)

Western Australia, Commonwealth of Australia	**2834**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Level 12 BGC Centre
28 The Esplanade
Perth WA 6000
Australia
61 (8) 9226 5099
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Lori H. Freedman, Esq.
Vice President, Corporate Affairs, General Counsel and Secretary
pSivida Limited
400 Pleasant Street
Watertown, MA 02472
(617) 926-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered (1)	**Amount to be Registered**	**Proposed Maximum Offering Price Per Share (2)**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee (2)**
Ordinary Shares, no par value	(3)	(3)	(3)	
Warrants	(3)	(3)	(3)	
Preference Shares	(3)	(3)	(3)	
Units	(3)	(3)	(3)	
Total:	$60,000,000		$60,000,000	$1,842

(1) American Depositary Shares ("ADSs") evidenced by American Depositary Receipts issuable on deposit of the equity shares registered hereby have been registered under a separate statement on Form F-6, Registration No. 333-122158. Each ADS represents ten ordinary shares.
(2) The registration fee is calculated in accordance with Rule 457(o) under the Securities Act.
(3) Omitted pursuant to General Instruction II(c) of Form F-3 under the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

Preliminary Prospectus, subject to completion, dated March 6, 2007.

PSIVIDA LIMITED

Ordinary Shares, Preference Shares, Warrants and Units

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pSivida Limited may offer from time to time, in one or more series or issuances and at prices and on terms that will be determined at the time of offering up to US$60,000,000 in gross proceeds to pSivida Limited of:

- Ordinary Shares
- Warrants
- Preference Shares
- Units

We will provide specific terms of these securities in supplements to this prospectus at the time when we offer them. You should read this prospectus and applicable supplement carefully before you invest in any of these securities.

Our ADSs are quoted on the NASDAQ Global Market under the symbol “PSDV”. The last reported sale price of our ADSs on the NASDAQ Global Market on March 2, 2007 was US$1.75.

Our ordinary shares are listed on the Australian Stock Exchange under the symbol “PSD”. On March 2, 2007, the closing price of our ordinary shares on the Australian Stock Exchange was A$0.22, equivalent to a price of approximately US$1.72 per ADS based on the Federal Reserve Bank of New York noon buying exchange rate on that date of A$1.00 = US$0.7839. Our ordinary shares are also listed on the Frankfurt, Berlin, Munich and Stuttgart stock exchanges under the symbol “PSI” and on the OFEX International Market Service under the symbol “PSD”.

Investing in our ADSs involves risks. See “Risk Factors” beginning on page 5.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2007

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only.

References in this prospectus to "pSivida", "the company", "we", "us", "our", or similar terms refer to pSivida Limited, except as otherwise indicated. On December 30, 2005, we completed the acquisition of Control Delivery Systems, Inc., which was renamed pSivida Inc. We make reference to Control Delivery Systems as "CDS" or as "pSivida Inc." generally depending on whether such reference relates to that company before or after the acquisition. As of July 1, 2006, the NASDAQ National Market changed its name to the NASDAQ Global Market. References to the NASDAQ Global Market relating to periods before such date refer to the NASDAQ National Market.

In this registration statement we make reference to Australian Equivalents to International Financial Reporting Standards as "A-IFRS" and accounting principles generally accepted in the United States of America as "U.S. GAAP." References to "A$" are to Australian dollars and references to "US$" and "US dollars" are to United States dollars. In our financial statements references to "$" are to Australian dollars and references to "US$" are to United States dollars. On June 30, 2005, the Federal Reserve Bank of New York Noon Buying Rate was US$0.7618 = A$1.00, on June 30, 2006 such exchange rate was US$0.7423 = A$1.00 and on December 29, 2006 such exchange rate was US$0.7884 = A$1.00.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission utilizing a "shelf" registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings resulting in gross proceeds to us of up to US$60,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extend that any statement that we make in a prospectus supplement is inconsistent with statements made in this prospectus, you should assume that the statements made in the prospectus supplement modify or supersede those made in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "*Where you can find additional information*" on page 28 of this prospectus.

THE COMPANY

pSivida Limited is an Australian company existing pursuant to the Australian Corporations Act 2001 whose shares are listed on the Australian Stock Exchange, the NASDAQ Global Market, the Frankfurt Stock Exchange and London's OFEX International Market Service. Our corporate headquarters are located at Level 12 BGC Centre, 28 The Esplanade, Perth WA 6000, Australia, and our phone number is +61 (8) 9226 5099. We also operate subsidiaries in the United Kingdom, Singapore, Australia and the United States.

Our Business

pSivida is a global, bio-nanotech company focusing on the development of products utilizing our proprietary technologies for targeted and controlled drug delivery. We are developing three key technologies as follows:

- Durasert™
- BioSilicon™
- CODRUG™

The following are the key features, attributes and status of our three key technologies and associated product developments.

- *Durasert*: This technology uses a drug core with one or more surrounding polymer layers. The drug permeates through the polymers into the body at a controlled and pre-determined rate for periods of up to three years in our approved products. We believe that this technology may allow delivery periods of up to 10 years. Two products based on this technology have been developed and approved by the U.S. Food and Drug Administration, or FDA: Vitrasert®, for AIDS-associated cytomegalovirus infections of the eye, and Retisert®, for uveitis. These two products are licensed to and marketed by Bausch & Lomb. A third product utilizing the technology, Medidur™, is partnered with Alimera Sciences and is in Phase III clinical trials for the treatment of diabetic macular edema, or DME. The technology is also being evaluated by a number of pharmaceutical companies for the delivery of their proprietary therapeutics for both ophthalmic and non-ophthalmic disease indications. A subcategory of our Durasert technology is our biodegradable drug delivery device technology, which we identify under the Zanisert™ trademark.

- *BioSilicon*: This technology uses nanostructured elemental silicon. This novel-porous biomaterial has been shown to be both biodegradable and biocompatible. For the delivery of therapeutics it has been shown to enhance dissolution and bioavailability of poorly soluble molecules and to provide controlled release. BrachySil™, our lead BioSilicon application, is a targeted oncology product, which is presently in Phase II clinical trials for the treatment of both primary liver cancer and pancreatic cancer. BioSilicon is being evaluated for the delivery of proprietary molecules in partnership with pharmaceutical and biotechnology companies, for oral and sub-cutaneous dosage forms. It also has potential applications in diagnostics, nutraceuticals and food packaging.

- *CODRUG*: Our third drug delivery technology, CODRUG, allows for the simultaneous release of two or more drugs at a controlled rate from the same product. It involves chemically linking two or more drugs together in such a manner that once administered in the body they separate into the original active drug. A library of CODRUG compounds has been synthesized and Phase I clinical trials have been undertaken in post-surgical pain and two dermatological indications.

Our Strategy

Our commercialization strategy is to concentrate on internal product development, the licensing of the Durasert, BioSilicon and CODRUG technology platforms, and the generation and potential sale of non-core intellectual property.

The generation of value from our drug delivery technologies is being achieved through two core product development routes:

- Development of our own products utilizing our proprietary technologies to produce new and improved versions of previously approved (generic) drug molecules and therapeutic agents, i.e., reformulated generics. These products will be licensed out to development and marketing partners at an appropriate stage to maximize their value to us.

- Establishment of drug delivery partnerships with pharmaceutical and biotechnology companies to develop novel and improved formulations of their proprietary drug molecules and therapeutics. The objective of these partnerships is to generate value by licensing our drug delivery technologies for third parties' specific drug molecules and applications.

Recent Developments

On July 6, 2006, we announced that BioSilicon has shown the capability to act as an adjuvant when delivered with an antigen. An adjuvant is any substance that is capable of enhancing a host response towards an active agent and is often used in conjunction with antigens to enhance the immune response of humans and animals. An antigen is any substance capable of eliciting an immune response. A patent application has been filed in the UK for the use of BioSilicon as an adjuvant.

On July 31, 2006, we announced that Gavin Rezos had resigned for personal and family reasons as Managing Director and Chief Executive Officer of pSivida and its subsidiaries. Mr. Rezos agreed to make himself available in Australia as requested by us to help achieve certain goals pending the appointment of a permanent replacement.

On August 28, 2006, we announced that Heather Zampatti resigned as a director of the Company.

On September 14, 2006, we amended the terms of the subordinated convertible promissory note that we issued on November 16, 2005 to an institutional investor. The note continues to have a three year term and bears 8% interest payable quarterly. We may make future interest payments in cash or, under certain circumstances, in the form of our NASDAQ-listed ADSs. The note conversion price was adjusted to US$2.00 per ADS, subject to further adjustment based upon certain events or circumstances, including, without limitation, if 108% of the average market price of our ADSs for the ten trading days ending prior to April 30, 2007 is lower than the then current conversion price. The current adjusted conversion price is US$1.62 per ADS. In connection with the amendment, we repaid US$2.5 million (A$3.3 million) of the outstanding principal and agreed to pay US$1.0 million (A$1.3 million) in related penalties, which were paid on September 14, 2006. The investor's conditional redemption rights under the terms of the initial note were replaced by unilateral redemption rights for up to 50% of the amended note principal at July 31, 2007 and January 31, 2008. The investor retains its existing warrants to purchase 633,803 additional ADSs, exercisable for six years at a current exercise price of US$7.17 per ADS. In connection with the amendments, we agreed with the institutional investor to extend the deadline for the registration statement required by the registration rights agreement to be declared effective by the SEC through October 15, 2006, with increased penalties if that deadline were missed. Our registration statement was declared effective on September 29, 2006. We were also released from the restrictions on future fundraising transactions contained in the original note documentation. We also granted the investor an additional warrant to purchase 5.7 million ADSs exercisable for five years with an exercise price of US$1.80 per ADS, a security interest in our current royalties, subject to release of that security upon any disposition by us of the royalty stream, and a guaranty by our U.S. subsidiary, pSivida Inc.

On September 19, 2006, we announced the initiation of a Phase II clinical trial of Mifepristone as an eye drop treatment for steroid associated elevated intraocular pressure. The investigator-sponsored trial will involve up to 45 patients in the United States.

On September 26, 2006, we issued additional subordinated convertible promissory notes in the principal amount of US$6.5 million (A$8.65 million) to institutional investors. The notes were initially convertible into ADSs at a conversion price of US$2.00 per ADS (A$0.27 per ordinary share), subject to adjustment based on certain events or circumstances, including if 108% of the average market price of our ADSs for the ten trading days prior to April 30, 2007 is lower than the current conversion price. The current adjusted conversion price is US$1.62 per ADS. The notes bear interest at a rate equal to 8% per annum, and mature three years from issuance. Interest is payable quarterly in arrears in cash or, under certain circumstances, ADSs at an 8% discount to the 10 day volume weighted average trading price. We also issued warrants to the institutional investors with a term of five years which will entitle the investors to purchase 2,925,001 ADSs at US$2.00 per ADS. We also entered into a registration rights agreement pursuant to which we agreed to file a registration statement covering the resale of the ADSs underlying the notes and the warrants as soon as practicable and to have the registration statement declared effective on or before January 1, 2007. Failure to have the registration statement declared effective by April 1, 2007 will result in an event of default under the notes. We may redeem the notes at any time by payment of 108% of the face value and may force conversion if the price of our ADSs remains above two times the conversion price for a period of 25 days. The proceeds of the issuance are expected to be used for general corporate purposes.

On October 10, 2006, we announced that the first patient has been implanted with BrachySil for the treatment of inoperable pancreatic cancer in London.

On October 17, 2006, we signed a letter agreement with our investor further revising the terms of the November 16, 2005 subordinated convertible promissory note. Pursuant to that agreement, we were released until March 30, 2007 from the requirement to maintain a net cash balance in excess of 30% of the outstanding principal amount of the note, and instead the net cash balance required to be held by us through that date was reduced to US$1.5 million (A$2.1 million). The investor further waived any default that would otherwise have resulted from the unavailability of our resale prospectus until we filed our 2006 audited U.S. GAAP-reconciled financial statements. We filed those financial statements on October 31, 2006, thus satisfying the condition in the agreement. In exchange for the foregoing, we were required to make a one-time payment to the investor of US$800,000 (A$1.1 million) on December 28, 2006 for registration rights penalties through the date of the letter agreement and three payments of US$150,000 (A$205,000) on January 31, 2007, February 28, 2007 and March 30, 2007. In connection with an amendment agreement dated December 29, 2006, we and the investor agreed, among other things, to waive the cash-balance test until March 30, 2007, defer our scheduled payment of US$800,000 and extend general forbearance for any prior, existing or future defaults until the earlier of the closing of a pending transaction with another party or March 31, 2007 and to add US$306,391 (A$388,000) to the principal of the note, which amount represented the approximate value of the ADSs that we would have issued in order to satisfy our quarterly interest payment due on January 2, 2007 had we qualified to pay with ADSs. Since entering into the December 29, 2006 amendment agreement, we believe that we have met the conditions for permanent release from the cash balance requirement.

On November 20, 2006, we announced that we had entered into a collaboration with another company to evaluate our BioSilicon technology for the development of transdermal drug delivery systems. The collaboration is expected to last for twelve months, during which time, the parties plan to evaluate a range of biodegradable porous silicon structures, including microneedles, for the controlled release of drugs through the skin.

On December 20, 2006, we announced that Dr. Roger Aston had been reappointed to our board of directors.

On December 26, 2006, we entered into an exclusive negotiation period with a major global pharmaceutical company to acquire a worldwide royalty-bearing license to make, use and sell products using our drug delivery technologies. The pharmaceutical company has agreed to make payments totaling US$990,000 in exchange for the exclusive right, for a period of three months, to negotiate a licensing agreement with us and to fund the cost of a pre-clinical study.

On January 9, 2007, we entered into a drug delivery licensing agreement with a U.S. research company to develop our proprietary Durasert, Zanisert and CODRUG drug delivery technologies for infectious diseases and diseases of the ear. Under the terms of the license, the research company received exclusive rights to our technologies for diseases of the ear and for five specific infectious diseases, namely malaria, HIV/AIDS, influenza, tuberculosis, and osteomyelitis. All costs of development will be borne by the research company and we will be entitled to receive royalties and milestones payments. In addition, we granted the research company co-exclusive rights to the Durasert, Zanisert and CODRUG drug delivery technologies for other infectious diseases. Under this arrangement either company can elect to convert their co-exclusive rights to exclusive rights for a specific infectious disease indication.

On January 24, 2007, we announced the retirement of Dr. Roger Brimblecombe as Executive Chairman and acting Chief Executive Officer. We also announced the appointments of Dr. Paul Ashton as our Managing Director and Dr. David J. Mazzo as our Chairman of the Board.

On January 29, 2007, we announced that Retisert had been allocated a product-specific reimbursement code by the Center for Medicare Services, or CMS, in the United States. The new code replaced the prior hospital outpatient code. CMS also published a payment rate for the code of US$19,345, or 106% of the average sales price for the product. The new code and the Medicare payment rate are effective as of January 1, 2007. Private insurers may pay at different rates than Medicare.

On February 28, 2007, we filed our half-year financial report for the six months ended December 31, 2006 with the Australian Stock Exchange, or ASX, and the Australian Securities and Investment Commission, or ASIC. These financial statements were furnished to the SEC on a Form 6-K on February 28, 2007 which is incorporated by reference into this prospectus. All of the amounts in the succeeding paragraphs of this section are derived from such information and are reported in accordance with A-IFRS, unless otherwise noted.

For the six months ended December 31, 2006, we incurred a net loss of A$100.7 million (2005: A$10.7 million). Revenues were A$2.1 million (2005: A$42,000). Our net loss included A$14.5 million (2005: A$9.0 million) of research and development costs, A$83.4 million (2005: None) of impairment write-downs of certain intangible assets, A$16.0 million (2005: None) of losses on extinguishment of debt related to modifications of the terms of a convertible note and A$8.2 million (2005: A$288,000) of interest and finance costs (which included A$3.2 million (2005: None) of penalties in connection with registration rights agreements), partially offset by a deferred tax benefit of A$26.4 million (2005: A$2.4 million) primarily attributable to the intangible asset impairment write-downs.

The differences between A-IFRS and U.S. GAAP for the fiscal year ended June 30, 2006 are described in Note 29 to the consolidated financial statements included in our Annual Report on Form 20-F for the fiscal year ended June 30, 2006, which was filed with the SEC on December 8, 2006 and is incorporated by reference into this prospectus.

During the six months ended December 31, 2006, certain additional material differences arose between A-IFRS and U.S. GAAP other than the types already described in Note 29 to the consolidated financial statements for the fiscal year ended June 30, 2006, including the impairment of intangible assets, allocation of debt proceeds, and the treatment of debt issuance costs associated with the extinguishment of debt. While the A-IFRS financial statements for the six months ended December 31, 2006 have been filed with the ASX and ASIC, those financial statements, as reconciled to U.S. GAAP, are not required to be filed with the SEC until March 31, 2007. Accordingly, our analysis under U.S. GAAP is not complete, and remains subject to review by our independent registered public accounting firm in accordance with Statement of Auditing Standards No. 100, which provides guidance on performing reviews of interim financial information. A description of the additional material differences follows:

- Impairment of intangible assets - Under A-IFRS and U.S. GAAP, individual intangible assets are tested for impairment if there is a specified indication. Under A-IFRS, impairment is indicated, and a detailed calculation must be performed, if specific events or circumstances occur, a “triggering event”, that could cause the asset's carrying amount to exceed its recoverable amount. The impairment loss is based on the excess of asset carrying value over recoverable amount. During the six months ended December 31, 2006, we recognized an impairment loss under A-IFRS of A$83.4 million. Under U.S. GAAP, impairment is indicated, and a detailed calculation must be performed, if the asset's carrying amount exceeds the expected future pre-tax cash flows to be derived from the asset on an undiscounted basis. The impairment loss is based on the excess of asset carrying value over fair value. Our analysis under U.S. GAAP is not complete; however, our preliminary view is that no impairment will be required under U.S. GAAP.

- Allocation of debt proceeds - Upon initial recognition, the proceeds received on the issue of a convertible note with detachable warrants is allocated into liability and equity components. In accordance with A-IFRS, the liability component is measured based on the fair value of a similar liability (including any embedded non’equity derivative features) that does not have an associated equity component. The equity component is determined by deducting the liability component from the proceeds received on the issue of the notes. A portion of the liability component is then allocated to any embedded derivatives that require bifurcation, at an amount equal to fair value. In accordance with U.S. GAAP, the proceeds received are first allocated to the convertible note and the detachable warrants on a relative fair value basis. Then, a portion of convertible note proceeds is allocated to any embedded derivatives, such as the holder's conversion option, that require bifurcation, at an amount equal to fair value. Our analysis under U.S. GAAP is not complete; however, we expect a A$1.5 million higher net loss and an A$573,000 increase in equity.

- Debt issuance costs associated with the extinguishment of debt - Under A-IFRS, debt issuance costs associated with the extinguishment of debt are included in the determination of gain (loss) on extinguishment. Under U.S. GAAP, such debt issuance costs are recorded as a deferred asset and amortized from the date of issuance to the stated redemption date(s) of the modified loan. For the six months ended December 31, 2006, we estimate that under U.S. GAAP we will have a A$122,000 lower net loss.

Our Address and Phone Number

Our principal offices are located at Level 12 BGC Centre, 28 The Esplanade, Perth WA 6000, Australia, and our telephone number is: +61 (8) 9226 5099. Our website address is www.psivida.com. We do not incorporate the information on, or accessible through, our website into this prospectus, and you should not consider it part of this prospectus.

RISK FACTORS

In considering whether to invest in our ADSs, you should carefully read and consider the risks described below, together with all of the information we have included in this prospectus.

Risks related to our company and our business

Our ability to obtain additional capital is uncertain, and if we do not obtain it, we will not have the funding necessary to conduct our operations and develop our products.

We expect to require substantial additional capital resources in order to conduct our operations and develop our products. We had cash and cash equivalents of A$5.4 million (US$4.2 million) as of December 31, 2006, and we have used A$6.0 million (US$4.6 million) and A$8.3 million (US$6.3 million) for operating activities in the three months ended December 31, 2006 and September 30, 2006, respectively. Therefore, we will need to raise additional funds in the near term to continue to conduct our operations as we have been conducting them to date. The timing and degree of our future capital requirements will depend on many factors, including:

- the amount of royalty and other revenue that we earn;
- our ability to successfully negotiate a license and development funding agreement with a major global pharmaceutical company;
- whether and to what extent our investors exercise redemption rights provided for in our outstanding convertible debt securities;
- continued scientific progress in our research and development programs;
- the magnitude and scope of our research and development programs;
- our ability to maintain and establish strategic arrangements for research, development, clinical testing, manufacturing and marketing;
- our progress with pre-clinical and clinical trials;
- the time and costs involved in obtaining regulatory approvals; and
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims.

We will attempt to acquire additional funding through strategic collaborations, public or private equity financings, capital lease transactions or other financing sources that may be available. Additional financing may not be available on acceptable terms, or at all. In addition, the terms of our outstanding convertible notes, including among others, the market price-based conversion rate adjustments, may reduce the likelihood that we will be able to find additional capital at a reasonable valuation if at all.

Additional equity financings could result in significant dilution to stockholders. Further, in the event that additional funds are obtained through arrangements with collaborative partners, these arrangements may require us to relinquish rights to some of our technologies, product candidates or products that we would otherwise seek to develop and commercialize ourselves.

If sufficient capital is not available in the near term and in the longer term, we may not be able to fund our operations and may be required to suspend, curtail or terminate our operations or delay, reduce the scope of or eliminate one or more of our research and development programs.

We have a history of losses; we expect to continue to incur losses; and we may never become profitable.

pSivida was formed in 2000. As primarily a research and development company, we have incurred operating losses in every year of existence. Under A-IFRS (effective from July 1, 2004), we incurred a net loss of A$16.8 million (US$12.7 million) for the year ended June 30, 2005, a net loss of A$28.2 million (US$21.1 million) for the year ended June 30, 2006 and a net loss of A$100.7 million (US$76.9 million) for the half-year ended December 31, 2006. As of December 31, 2006, we had an accumulated deficit under A-IFRS of A$157.7 million (US$124.5 million). We have not achieved profitability and expect to continue to incur net losses through at least 2010, and we may incur losses beyond that time, particularly if we are not successful in having Medidur or BrachySil approved and widely marketed by that time. Even if Medidur or BrachySil is approved and marketed at some point in 2010 or beyond, sales of Medidur or BrachySil, or any of our other marketed products, combined with royalty income and any other sources of revenue, may not be sufficient to result in profitability at that time or at any other time. The extent of our future losses and how long it may take for us to achieve profitability are uncertain.

On December 30, 2005, we acquired CDS, which had incurred net losses in each of its prior five fiscal years (ended December 31). As a result of the acquisition, we have been receiving royalties from sales of Vitrasert, CDS' first commercial product. However, sales of Vitrasert have declined in each of the past four years and we do not expect that Vitrasert royalties will comprise a significant portion of our future revenue. Following regulatory approval for Retisert in April 2005, CDS entered into an advance royalty agreement with Bausch & Lomb in June 2005 pursuant to which CDS received US$3.0 million (A$3.9 million) in lieu of US$6.25 million (A$8.5 million) of Retisert royalties that otherwise would be payable under the license agreement. Subsequent to December 31, 2006, of the next US$5.7 million (A$7.2 million) of future royalties otherwise payable from the sales of Retisert, US$5.2 million (A$6.6 million) will be retained by Bausch & Lomb. We are unable to predict the future sales of Retisert by Bausch & Lomb and, as a result, we cannot predict when, if ever, Bausch & Lomb will have retained that amount of royalties and we will begin receiving full royalty payments from them.

If our funds are insufficient to pay the principal of and interest on our convertible notes, then our note holders may declare an event of default, foreclose on the collateral and require immediate payment of the entire principal of the notes plus penalties.

On November 16, 2005, we issued a subordinated convertible promissory note in the principal amount of US$15 million (A$19.7 million) to an institutional investor. On September 14, 2006, in connection with an amendment of the note, we repaid US$2.5 million (A$3.3 million) of the principal. The convertible note must be repaid in full in cash on the third anniversary of its issuance, unless the principal is earlier paid or converted. In addition, the holder may require payment in cash of up to US$6.25 million (A$8.3 million) of the principal on each of July 31, 2007 and January 31, 2008. The holder of the note has also been provided with a security interest in our existing royalty streams from Bausch & Lomb, which represent a substantial portion of our current revenue. In connection with the terms of a letter agreement with the investor dated October 17, 2006, we agreed to make compensating payments of US$800,000 (A$1.1 million) on December 28, 2006 for registration rights penalties incurred through the date of the letter agreement and US$150,000 (A$205,000) each on January 31, 2007, February 28, 2007 and March 30, 2007. In connection with an amendment agreement dated December 29, 2006, we and the investor agreed, among other things, to defer our scheduled payment of US$800,000 and extend general forbearance for any prior, existing or future defaults until the earlier of the closing of a pending transaction with another party or March 31, 2007 and to add US$306,391 (A$388,000) to the principal of the note, which amount represented the approximate value of the ADSs that we would have issued in order to satisfy our quarterly interest payment due on January 2, 2007 had we qualified to pay with ADSs. If we are unable to pay interest or principal that becomes due or otherwise are unable to make payments under the note or related agreements, the holder may foreclose on and collect those royalties or sell that collateral. The proceeds of any sale would be applied to satisfy amounts owed to the holder.

On September 26, 2006, we issued new subordinated convertible promissory notes in the principal amount of US$6.5 million (A$8.5 million) to other investors. These convertible notes must be repaid in full in cash on the third anniversary of their issuance, unless the principal is earlier paid or converted. In addition, under specified conditions, the holders may require payment in cash of up to US$3.25 million (A$4.25 million) of the principal on each of August 14, 2008 (unless the initial note is still outstanding) and February 14, 2009 (or such later date that is 91 days after the maturity date of the initial note).

All of our outstanding convertible promissory notes bear interest at the rate of 8% per annum. We may make quarterly interest payments on the notes by issuing our ADSs if certain conditions are met, including the continued effectiveness of registration statements covering the ADSs, continued listing of our shares or ADSs, and timely delivery of conversion ADSs during the period preceding the payment date, among others. If any of the conditions are not met, we will be required to pay the interest due in cash. Given the cash needs of our business and our current level of revenue, we cannot predict whether or not we will be able to meet any of these cash payment obligations or what impact these obligations might have on our business and operations.

If we do not obtain certain waivers or fail to maintain an effective resale registration statement for our ADSs, then we may owe further penalties related to the inability of certain shareholders to sell ADSs. We may not have sufficient funds to pay such penalties.

In connection with our acquisition of CDS, we entered into an agreement to register with the SEC the resale of ADSs issued to CDS stockholders. We were required to complete that registration no later than June 28, 2006. Our agreement to register these ADSs required that we pay cash penalties equal to one percent of the number of such ADSs multiplied by the deemed value of such ADSs at the time of closing, or US$5.087 per ADS, for every 30-day period until the registration statement became effective and for certain periods during which the registration statement could not be used to sell ADSs. The registration statement was declared effective on September 29, 2006 and we filed additional information making it usable to effect sales on October 31, 2006. To date, we have not paid any of these penalties. Although we are seeking a waiver of these payment requirements from the holders of ADSs issued in connection with the acquisition of CDS, such persons may not grant us such a waiver on reasonable terms or at all. We may not have sufficient funds to pay these penalties. If we are forced to do so, we may be required to suspend, curtail or terminate our operations or delay, reduce the scope of or eliminate one or more of our research and development programs, any of which could have a material adverse effect on our business.

In connection with the amendments to our initial convertible note financing and our subsequent new convertible note financing, we have entered into agreements to register with the SEC the resale of additional ADSs issuable to the investors. Our obligation to register ADSs in each of these transactions is subject to a deadline, which may be extended in certain situations, and our failure to meet this deadline results in monetary penalties against us. With respect to the amendments to our initial convertible note financing, we were required to complete the registration of shares issuable pursuant to exercise of the additional warrant granted no later than December 31, 2006. In connection with an amendment agreement, the parties have agreed to extend the filing deadline until ten days following the earlier of the closing of a pending transaction with another party or March 31, 2007. If our registration statement registering those shares is not filed on or prior to the extended filing deadline, we must pay penalties of 1.5% of the aggregate purchase price per 30-day period from that date until the date on which the filing failure is cured. Failure to comply with this extended deadline within 60 days may result in an event of default under the convertible note. Furthermore, if our registration statement is not declared effective within sixty days of the extended filing deadline, or within ninety days of the extended filing deadline in the event that the SEC institutes a review of or issues comments with respect to the registration statement, we must pay the holder an amount equal to US$8,333 in cash for each day beginning on December 31, 2006 and ending on the date of such effectiveness failure as well as 1.5% of the aggregate purchase price per 30-day period from that date until the date on which the failure is cured. If we fail 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. With respect to our new convertible note financing, we were required to complete the registration no later than January 1, 2007. Our failure to meet this deadline has resulted in our having to pay a cash penalty equal to one percent of the convertible note purchase price, or US$65,000 (A$85,000) on January 31, 2007 for the month of January 2007 and on March 1, 2007 for the month of February 2007 and additional penalties will accrue for each 30-day period, or portion there of, until the registration statement becomes effective. Further, failure to comply with this effectiveness deadline by April 1, 2007 may result in an event of default under the new convertible notes. Each of these registration deadlines is subject to extension under certain circumstances.

Our failure or inability to maintain the effectiveness of any of our registrations or to adequately update information in the related prospectuses may subject us to additional penalties. In addition, we expect to have other registration obligations with similar penalty provisions related to registration deadlines in connection with future financing activities.

Most of our products and planned products are based upon new and unproven technologies, and if we are unable to develop products from those technologies, we may not have sufficient revenue to continue our operations.

We are currently developing products based upon our Durasert, BioSilicon and CODRUG drug delivery systems for multiple applications across many sectors of healthcare, including controlled drug delivery and diagnostics. The successful development and market acceptance of our current products and potential product technologies is subject to many risks. These risks include the potential for ineffectiveness, lack of safety, unreliability, failure to receive necessary regulatory clearances or approvals and the emergence of superior or equivalent products, as well as the effect of changes in future general economic conditions. To date, we have developed two marketed products, Vitrasert and Retisert, which are based on our Durasert technology and have been approved by the FDA for treatment of two sight-threatening eye diseases. However, these technologies may prove useful in other products which would also be subject to many risks. Our failure to develop our current and future products could have a material adverse effect on our business, financial condition and results of operations. Further, BioSilicon is a new and unproven technology for which we have received no FDA approvals.

We rely heavily upon patents and trade secrets to protect our proprietary technologies. If we fail to protect our intellectual property or infringe on others' technologies, our ability to market our products may suffer.

Protection of intellectual property rights is crucial to our business, since that is how we keep others from copying the innovations which are central to our existing and future products. Our success is dependent on whether we can obtain patents, defend our existing patents and operate without infringing on the proprietary rights of third parties. As of December 31, 2006, we had 95 patents and over 317 pending patent applications, including patents and pending applications covering our Durasert, BioSilicon and CODRUG technologies. We expect to aggressively patent and protect our proprietary technologies. However, we cannot be sure that any additional patents will be issued to us as a result of our pending or future patent applications or that any of our patents will withstand challenges by others. In addition, we may not have sufficient funds to patent and protect our proprietary technologies to the extent that we would desire or at all. If we were determined to be infringing any third-party patent, we could be required to pay damages, alter our products or processes, obtain licenses, pay royalties or cease certain operations. We may not be able to obtain any required licenses on commercially favorable terms, if at all. Our failure to obtain a license for any technology that we may require to commercialize our products could have a material adverse effect on our business, financial condition and results of operations. In addition, many of the laws of foreign countries in which we intend to operate may treat the protection of proprietary rights differently from, and may not protect our proprietary rights to the same extent as, laws in Australia, the United States and Patent Co-operation Treaty countries.

Prior art may reduce the scope or protection of, or invalidate, patents. Previously conducted research or published discoveries may prevent patents from being granted, invalidate issued patents or narrow the scope of any protection obtained. Reduction in scope of protection or invalidation of our licensed or owned patents, or our inability to obtain patents, may enable other companies to develop products that compete with our products and product candidates on the basis of the same or similar technology. As a result, our patents and those of our licensors may not provide any or sufficient protection against competitors.

While we have not been and we are not currently involved in any litigation over intellectual property, such litigation may be necessary to enforce any patents issued or licensed to us or to determine the scope and validity of third-party proprietary rights. We may also be sued by one or more third parties alleging that we infringe its intellectual property rights. Any intellectual property litigation would be likely to result in substantial costs to us and diversion of our efforts. If our competitors claim technology also claimed by us and if they prepare and file patent applications in the U.S., we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to us and diversion of our efforts. Any such litigation or interference proceedings, regardless of the outcome, could be expensive and time consuming. Litigation could subject us to significant liabilities to third parties, requiring disputed rights to be licensed from third parties or require us to cease using certain technologies and, consequently, could have a material adverse effect on our business, financial condition and results of operations.

We also rely on trade secrets, know-how and technology that are not protected by patents to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our corporate partners, collaborators, employees, and consultants. Any of these parties could breach these agreements and disclose our confidential information, or our competitors might learn of the information in some other way. If any material trade secret, know-how or other technology not protected by a patent were to be disclosed to or independently developed by a competitor, our competitive position could be materially harmed.

If we do not receive the necessary regulatory approvals, we will be unable to commercialize our products.

Our current and future activities are and will be subject to regulation by governmental authorities in the U.S., Europe, Singapore and other countries. Before we can manufacture, market and sell any of our products, we must first obtain approval from the FDA and/or foreign regulatory authorities. In order to obtain these approvals, pre-clinical studies and clinical trials must demonstrate that each of our products is safe for human use and effective for its targeted disease. Our proposed products are in various stages of pre-clinical and clinical testing. If clinical trials for any of these products are not successful, those products cannot be manufactured and sold and will not generate revenue from sales. Clinical trials for our product candidates may fail or be delayed by many factors, including the following:

- our lack of sufficient funding to pursue trials rapidly or at all;
- our inability to attract clinical investigators for trials;
- our inability to recruit patients in sufficient numbers or at the expected rate;
- adverse side effects;
- failure of the trials to demonstrate a product’s safety or efficacy;

- our failure to meet FDA or other regulatory agency requirements for clinical trial design or for demonstrating efficacy for a particular product;
- our inability to follow patients adequately after treatment;
- changes in the design or manufacture of a product;
- our inability to manufacture sufficient quantities of materials for use in clinical trials; and
- governmental or regulatory delays.

Results from pre-clinical testing and early clinical trials often do not accurately predict results of later clinical trials. Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations which may delay, limit or prevent regulatory approval. Data from pre-clinical studies, early clinical trials and interim periods in multi-year trials are preliminary and may change, and final data from pivotal trials for such products may differ significantly. Adverse side effects may develop that delay, limit or prevent the regulatory approval of products, or cause their regulatory approvals to be limited or even rescinded. Additional trials necessary for approval may not be undertaken or may ultimately fail to establish the safety and efficacy of proposed products. The FDA or other regulatory agencies may not approve proposed products for manufacture and sale.

In addition to testing, regulatory agencies impose various requirements on manufacturers and sellers of products under their jurisdiction, such as labeling, manufacturing practices, record keeping and reporting. Regulatory agencies may also require post-marketing testing and surveillance programs to monitor a product's effects. Furthermore, changes in existing regulations or the adoption of new regulations could prevent us from obtaining, or affect the timing of, future regulatory approvals.

At present, Vitrasert and Retisert are our only products that have been approved for sale in the U.S. for specific purposes. BrachySil and other product candidates utilizing BioSilicon have not been approved and their approval in the future remains uncertain. Any product approvals we achieve could also be withdrawn for failure to comply with regulatory standards or due to unforeseen problems after the product's marketing approval.

Fast track status for Medidur may not actually lead to faster development, regulatory review or approval, and if approval is delayed, the future growth of our revenue that this product is expected to generate will also be delayed.

The FDA has granted fast track designation to Medidur for the treatment of diabetic macular edema, or DME. Although this designation makes this product eligible for expedited approval procedures, it does not ensure faster development, review or approval compared to the conventional FDA procedures. Further, the FDA may withdraw the fast track designation if it determines that the designation is no longer supported by emerging data from clinical trials or if it determines that the criteria for the designation is no longer satisfied.

We have a limited ability to develop and market our products ourselves. If we are unable to find marketing or commercialization partners, or our marketing or commercialization partners do not successfully develop or market our products, we may be unable to effectively develop and market our products on our own.

We presently have no marketing or sales staff. Achieving market acceptance for the use of our products will require extensive and substantial efforts by experienced personnel as well as expenditure of significant funds. We may not be able to establish sufficient capabilities necessary to achieve market penetration.

We intend to license and/or sell our products to companies who will be responsible in large part for sales, marketing and distribution. The amount and timing of resources which may be devoted to the performance of their contractual responsibilities by these licensees are not expected to be within our control. Further, these partners may not perform their obligations.

Our business strategy includes entering into collaborative arrangements for the development and commercialization of our product candidates. The curtailment or termination of any of these arrangements could adversely affect our business, our ability to develop and commercialize our products and proposed products and our ability to fund operations.

The success of these and future collaborative arrangements will depend heavily on the experience, resources, efforts and activities of our collaborators. Our collaborators have, and are expected to have, significant discretion in making these decisions. Risks that we face in connection with our collaboration strategy include the following:

- our collaborative arrangements are, and are expected to be, subject to termination under various circumstances including, in some cases, on short notice and without cause;

- we are required, and expect to be required, under our collaborative arrangements not to conduct specified types of research and development in the field that is the subject of the collaboration, limiting the areas of research and development that we can pursue;

- our collaborators may develop and commercialize, either alone or with others, products that are similar to or competitive with our products;

- our collaborators, consistent with other pharmaceutical and biotechnology companies that have historically acted similarly, may for a variety of reasons change the focus of their development and commercialization efforts or decrease or fail to increase spending related to our products, limiting the ability of our products to reach their potential; and

- our collaborators may lack the funding or experience to develop and commercialize our products successfully or may otherwise fail to do so.

To the extent that we choose not to, or we are unable to, enter into future license agreements with marketing and sales partners, we may experience increased capital requirements to develop the ability to market and sell future products. We may not be able to market or sell our technology or future products independently in the absence of such agreements.

Our current licensees may terminate their agreements with us at any time, and if they do, we may not be able to effectively develop and sell our products.

Our licensees have rights of termination under our agreements with them. Exercise of termination rights by those parties may leave us temporarily or permanently without any marketing or sales resources, which may have an adverse effect on our business, financial condition and results of operations. Additionally, our interests may not continue to coincide with those of our partners, and our partners may develop independently or with third parties, products or technologies that could compete with our products. Further, disagreements over rights or technologies or other proprietary interests may occur.

We have exclusively licensed our technology with respect to Vitrasert, Retisert and certain other ophthalmic uses to Bausch & Lomb, and with respect to Medidur for DME and certain other ophthalmic uses to Alimera Sciences. Bausch & Lomb is responsible for funding and managing the development and commercialization of all licensed products and can terminate its agreement with us at any time upon 90 days' written notice. We are jointly funding with Alimera Sciences the development of products licensed under our agreement with them, and Alimera Sciences may terminate its agreement with us if we fail to make a development payment or may terminate the agreement with respect to a particular product if we abandon the product. Further, in the event that we fail to make development payments exceeding US$2.0 million (A$2.7 million) for a product, Alimera Sciences may complete the development using other funds and substantially reduce our economic interest in any sales of the developed product from a share of profits to a sales-based royalty. As of December 31, 2006, we have chosen not to make development payments to Alimera Sciences in an aggregate amount of approximately US$1.9 million (A$2.6 million). Alimera Sciences was incorporated in June 2003 and has limited resources. Either Bausch & Lomb or Alimera Sciences may decide not to continue with or commercialize any or all of the licensed products, change strategic focus, pursue alternative technologies, develop competing products or terminate their agreements with us. While Bausch & Lomb has significant experience in the ophthalmic field and substantial resources, there is no assurance as to whether, and to what extent, that experience and those resources will be devoted to our technologies. Because we do not currently have sufficient funding or internal capabilities to develop and commercialize these products and proposed products, decisions, actions, breach or termination of these agreements by Bausch & Lomb or Alimera Sciences could delay or stop the development or commercialization of Retisert, Medidur for DME or other of our products licensed to such entities. We have licensed BrachySil to Beijing Med-Pharm for China, and similar risks exist under the terms of that license agreement.

If our competitors develop more effective products that receive regulatory approval before our products reach the market, our products could be rendered obsolete.

We are, or plan to be, engaged in the rapidly evolving and competitive fields of drug delivery and diagnostics. Our competitors include many major pharmaceutical companies and other biotechnology, drug delivery, diagnostics and medical products companies.

Many of our potential competitors have substantially greater financial, technological, research and development, marketing and personnel resources than us. Our competitors may succeed in developing alternate technologies and products that:

- are more effective and easier to use;
- are more economical than those which we have developed; or
- would render our technologies and products obsolete and non-competitive in these fields.

These competitors may also have greater experience in developing products, conducting clinical trials, obtaining regulatory approvals or clearances and manufacturing and marketing such products or technologies.

We believe that pharmaceutical, drug delivery and biotechnology companies, research organizations, governmental entities, universities, hospitals, other nonprofit organizations and individual scientists are seeking to develop the drugs, therapies, products, approaches or methods to treat our targeted diseases or their underlying causes. For many of our targeted diseases, competitors have alternate therapies that are already commercialized or are in various stages of development ranging from discovery to advanced clinical trials. Any of these drugs, therapies, products, approaches or methods may receive government approval or gain market acceptance more rapidly than our products and proposed products, may offer therapeutic or cost advantages or may cure our targeted diseases or their underlying causes completely, which could reduce demand for our products and proposed products and could render them noncompetitive or obsolete. For example, sales of Vitrasert for the treatment of cytomegalovirus, or CMV, retinitis, a disease which affects people with late-stage AIDS, have declined significantly, because of new treatments that delay the onset of late-stage AIDS.

Our competitive position is based upon our ability to:

- create and maintain scientifically-advanced technology and proprietary products and processes;
- attract and retain qualified personnel;
- develop safe and efficacious products, alone or in collaboration with others;
- obtain patent or other protection for our products and processes;
- obtain required government approvals on a timely basis;
- manufacture products on a cost-effective basis; and
- successfully market products.

If we are not successful in meeting these goals, our business could be adversely affected.

If we expand our efforts beyond our core area of expertise and experience, then we may have to enter into collaboration agreements that limit the extent to which we can profit from our own technologies.

We plan to expand our focus outside of our initial areas of experience and expertise in order to broaden our product pipeline and this will require additional internal expertise or external collaborations in areas in which we currently do not have internal resources and expertise. Such expertise and collaborations may be difficult to obtain. We are currently focused on targeted controlled drug delivery specifically for ophthalmic drug delivery, localized oncology and other controlled delivery mechanisms. We have started to expand our focus into diagnostics and the food industry and may plan to expand into other areas at a later time. In connection with the foregoing, we may have to enter into collaboration arrangements with others that may require us to relinquish rights to certain of our technologies or products that we would otherwise pursue independently. We may be unable to acquire the necessary expertise or enter into collaboration agreements on acceptable terms.

Problems associated with international business operations could affect our ability to manufacture and sell our products. If we encounter such problems, our costs could increase and our development of products could be delayed.

We currently maintain offices in Australia, the UK, Singapore and the U.S. BrachySil is produced for us in Germany and the UK, and BioSilicon is produced in-house and by third-party contractors in the UK. We are conducting product trials in Singapore and in Europe, we have research and development facilities in the UK and the U.S. and we intend to license and/or sell products in most major world healthcare markets. A number of risks are inherent in our international strategy. In order for us to license and manufacture our products, we must obtain country and jurisdiction-specific regulatory approvals or clearances to comply with regulations regarding safety and quality. We may not be able to obtain or maintain regulatory approvals or clearances in such countries, and we may be required to incur significant costs in obtaining or maintaining foreign regulatory approvals or clearances. In addition, our operations and revenues are subject to a number of risks associated with foreign commerce, including the following:

- managing foreign distributors;
- staffing and managing foreign operations;
- political and economic instability;
- foreign currency exchange fluctuations;
- foreign tax laws, tariffs and freight rates and charges;
- timing and availability of export licenses;
- inadequate protection of intellectual property rights in some countries; and
- obtaining required governmental approvals.

If we encounter problems with product manufacturing, we could experience delays in product development and commercialization, which would adversely affect our future profitability.

Our ability to conduct timely pre-clinical and clinical research and development programs, obtain regulatory approvals, commercialize our product candidates and fulfill our contract manufacturing obligations to others will depend, in part, upon our ability to manufacture our products, either directly or through third parties, in accordance with FDA and other regulatory requirements. We currently have BioSilicon production capability at our facilities in the UK, which may be augmented where required by QinetiQ's UK production facilities for use in internal and collaborative research. BrachySil is currently manufactured under contract, in accordance with applicable current good manufacturing practices, or cGMP, by Hosokawa Micron Group, Atomising Systems Ltd, HighForce Ltd and AEA Technology QSA GmbH. We currently manufacture clinical supplies pursuant to our agreement with Alimera Sciences.

We could experience delays in development or commercialization of our proposed products if we are unable to manufacture BioSilicon, BrachySil or other product candidates by ourselves, or to acquire BioSilicon, BrachySil or other product candidates from third parties, such as QinetiQ. We may not be able to manufacture our proposed products successfully or in a cost-effective manner at our own or third-party facilities. If we are unable to develop our own manufacturing facilities or to obtain or retain third-party manufacturing on acceptable terms, we may not be able to conduct certain future pre-clinical and clinical testing or to supply commercial quantities of our products.

We have licensed to Bausch & Lomb the exclusive rights to manufacture Vitrasert, Retisert and other products covered by its license agreement with us. We have licensed to Alimera Sciences the rights to manufacture Medidur for DME, if approved for marketing, and other products covered by its license agreement. Our current reliance on third-party manufacturers for some of our products entails risks, including:

- the possibility that third parties may not comply with the FDA's cGMP regulations, other regulatory requirements, and those of similar foreign regulatory bodies, and may not employ adequate quality assurance practices;

- supply disruption, deterioration in product quality or breach of a manufacturing or license agreement by the third-party because of factors beyond our control;

- the possible termination or non-renewal of a manufacturing or licensing agreement with a third-party at a time that is costly or inconvenient to us; and

- our inability to identify or qualify an alternative manufacturer in a timely manner, even if contractually permitted to do so.

If third-party reimbursement and health care providers do not cover the cost of our products, market acceptance could be limited.

In both domestic and foreign markets, our ability to commercialize our products will depend, in part, upon the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers and other organizations. Third-party payors are increasingly challenging the price and cost-effectiveness of medical products. If our products are not considered cost-effective, third-party payors may limit reimbursement. Government and other third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which they have not been granted regulatory approval. If government and third-party payors do not provide adequate coverage and reimbursement levels for uses of our products, the market acceptance of our products would be limited.

There have been a number of U.S. federal and state proposals during the last few years to subject the pricing of pharmaceuticals to government control and to make other changes to the health care system of the U.S. It is uncertain what legislative proposals will be adopted or what actions federal, state or private payors for health care goods and services may take in response to any health care reform proposals or legislation. Similar health care reforms may also be implemented outside of the U.S. We cannot predict the effect health care reforms may have on our business.

If we fail to retain some or all of our key personnel, then our business could suffer.

We are dependent upon the principal members of our management, administrative and scientific staff. In addition, we believe that our future success in developing our products and achieving a competitive position will depend to a large extent on whether we can attract and retain additional qualified management and scientific personnel. There is strong competition for such personnel within the industry in which we operate and we may not be able to continue to attract such personnel either to Malvern in the United Kingdom or to Massachusetts, where much of our research and development is conducted. Further, the economic climate in Perth could make employee retention difficult there. As we do not have large numbers of employees and our products are unique and highly specialized, the loss of the services of one or more of the senior management or scientific staff, or the inability to attract and retain additional personnel and develop expertise as needed, could have a material adverse effect on our results of operations and financial condition.

If we are subject to product liability suits and do not have sufficient insurance to cover damages, our ability to fund research and development would be negatively impacted.

The testing, manufacturing, and future marketing and sale of the products utilizing our technologies involves risks that product liability claims may be asserted against us or our licensees. Our current clinical trial insurance may not be adequate or continue to be available, and we may be unable to obtain adequate product liability insurance on reasonable commercial terms, if at all. In the event clinical trial insurance is not adequate, our ability to continue with planned research and development in the relevant area could be negatively impacted.

We have experienced rapid changes in our business, and if we fail to effectively manage these changes, we may experience increased expenses.

As evidenced by our purchase of the remaining shares of pSiMedica in 2004 and our acquisition of CDS on December 30, 2005, our business is rapidly changing. See "Risks related to our recent acquisitions and financing transactions".

We may be required to increase the number of our employees, and we may suffer if we do not manage and train our new employees effectively. Further, our efforts span various geographies. Continued operations in multiple locations may place significant strains on our managerial, financial and other resources. The rate of any future expansion, in combination with our complex technologies and products, may demand a level of managerial effectiveness in anticipating, planning, coordinating and meeting our operational needs which we may not be able to successfully provide.

In addition, if we make additional acquisitions or divestitures, we could encounter difficulties that harm our business. We may acquire companies, products or technologies that we believe to be complementary to our business. If we do so, we may have difficulty integrating the acquired personnel, operations, products or technologies. In addition, acquisitions may distract our management and employees and increase our expenses, which could harm our business. We may also sell businesses or assets as part of our strategy or if we receive offers from third parties. If we do so, we may sell an asset or business for less than its full value or may lose valuable opportunities attendant to such asset or business.

If we fail to comply with environmental laws and regulations, our ability to manufacture and commercialize products may be adversely affected.

Medical and biopharmaceutical research and development involves the controlled use of hazardous materials, such as radioactive compounds and chemical solvents. We are subject to federal, state and local laws and regulations in the U.S. and abroad governing the use, manufacture, storage, handling and disposal of such materials and waste products. We could be subject to both criminal liability and civil damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials. In addition, claimants may sue us for injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our total assets. Compliance with environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development or production efforts or harm our operating results.

Risks related to our being headquartered and incorporated outside of the United States

You may have difficulty in effecting service of legal process and enforcement of judgments against us or our management.

We are a public company limited by shares, registered and operating under the Australian Corporations Act 2001. Several of our directors and officers reside outside the U.S. Substantially all or a substantial portion of the assets of those persons are located outside the U.S. As a result, it may not be possible to effect service on such persons in the U.S. or to enforce, in foreign courts, judgments against such persons obtained in U.S. courts and predicated on the federal securities laws of the U.S. Furthermore, a large percentage of our directly owned assets are located outside the U.S., and, as such, any judgment obtained in the U.S. against us may not be collectible within the U.S. There is doubt as to the enforceability in the Commonwealth of Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon federal or state securities laws of the U.S., especially in the case of enforcement of judgments of U.S. courts where the defendant has not been properly served in Australia.

As a foreign private issuer we do not have to provide you with the same information as an issuer of securities based in the U.S.

Because we are a foreign private issuer within the meaning of the rules under the Exchange Act, we are exempt from certain provisions that are applicable to U.S. public companies, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a registered security; and

- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time.

Thus, you are not afforded the same protections or information which would be made available to you were you investing in a U.S. public corporation.

In accordance with the requirements of the Australian Stock Exchange, we disclose annual and semi-annual results. Until July 1, 2005, our results were presented in accordance with accounting principles generally accepted in Australia, or A-GAAP, and they are now presented in accordance with A-IFRS. Our annual results reported in the U.S. with the SEC include a reconciliation to U.S. GAAP. Our annual results are audited, and our semi-annual results undergo a limited review by our independent auditors. Subject to certain exceptions, we are also required to immediately disclose to the ASX any information concerning us that a reasonable person would expect to have a material effect on the price or value of our shares. This would include matters such as:

- any major new developments relating to our business which are not public knowledge and may lead to a substantial movement in our share price;

- any changes in our board of directors;

- any purchase or redemption by us of our own equity securities;

- interests of directors in our shares or debentures; and

- changes in our capital structure.

We are required to provide our semi-annual results, and other material information that we disclose in Australia or in the U.S. under the cover of Form 6-K. Nevertheless, this information is not the same and may not be as much information as would be made available to you were you investing in a U.S. public corporation.

Risks related to our stock and our ADSs

If we are a passive foreign investment company, holders of our shares and ADSs may suffer adverse tax consequences.

U.S. holders of our ADSs may experience unfavorable tax consequences if we are treated as a passive foreign investment company, or PFIC, under the U.S. Internal Revenue Code of 1986, as amended, for any year during which the U.S. holder owned our ADSs. In general, we are a PFIC for any taxable year if either (1) 75% or more of our gross income in the taxable year is passive income, or (2) 50% or more of the average value of our assets in the taxable year produces, or is held for the production of, passive income. We were likely a PFIC for the fiscal year ended June 30, 2005. For example, if a U.S. holder disposes of an ADS at a gain, and during any year of its holding period we were a PFIC, then such gain would be taxable as ordinary income and not as capital gain and would be subject to additional taxation based on the length of time the U.S. holder held such stock. Most of the tax consequences of our being a PFIC may be mitigated if the U.S. holder makes certain elections as described in Item 10.E of our Annual Report on Form 20-F under “U.S. Federal Income Tax Considerations”.

Holders of our ADSs may have limited rights relative to holders of our ordinary shares in certain circumstances.

The rights of holders of ADSs with respect to voting of ordinary shares and receiving certain distributions may be limited in certain respects by the deposit agreement entered into by us and Citibank, N.A. For example, although ADS holders are entitled under the deposit agreement, subject to any applicable provisions of Australian law and of our constitution, to instruct the depositary as to the exercise of their voting rights pertaining to the ordinary shares represented by the American Depositary Shares, and the depositary has agreed that it will vote the ordinary shares so represented in accordance with such instructions, ADS holders may not receive notices sent by the depositary in time to ensure that the depositary will vote the ordinary shares. This means that holders of ADSs may not be able to exercise their right to vote. In addition, under the deposit agreement, the depositary has the right to restrict distributions to holders of the ADSs in the event that it is unlawful or impractical to make such distributions. We have no obligation to take any action to permit distributions to holders of our American Depositary Receipts, or ADRs. As a result, holders of ADRs may not receive distributions made by us.

Our stock price is volatile. If our trading volume fluctuates significantly, based on events both within and outside our control, you may have difficulty selling your ADSs when you desire to.

Since December 2000, the price of our ordinary shares has ranged from A$0.09 to A$1.44 per share, and since January 27, 2005, the price of our ADSs has ranged from US$1.36 to US$12.14. The price of our ordinary shares and ADSs may be affected by developments directly affecting our business and by developments out of our control or unrelated to pSivida. The biotechnology sector in particular, and the stock market generally, are vulnerable to abrupt changes in investor sentiment. Prices of securities and trading volume of companies in the biotechnology industry, including ours, can swing dramatically in ways unrelated to or that bear a disproportionate relationship to, operating performance. Our ordinary share and ADS trading prices and volumes may fluctuate based on a number of factors including, but not limited to:

- clinical trial results and other product and technological developments and innovations;
- FDA and other governmental regulatory actions, receipt and timing of approvals of our proposed products, and any denials and withdrawals of approvals;
- competitive factors including new product ideas and technologies, clinical trial results and approvals of competitive products in our markets;
- advancements with respect to treatment of the diseases targeted by our proposed products;
- developments relating to collaborative partners, including execution and termination of agreements, achievement of milestones and receipt of payments;
- availability and cost of capital and our financial and operating results;
- changes in reimbursement policies or other practices relating to our proposed products or the pharmaceutical industry generally;
- meeting, exceeding or failing to meet analysts' or investors' expectations, and changes in evaluations and recommendations by securities analysts;
- economic, industry and market conditions, changes or trends; and
- other factors unrelated to us and the biotechnology industry.

In addition, low trading volume may increase the price volatility of our ADSs. Trading volume in our ordinary shares on other markets has not been historically high, and trading volume of our ADSs on the NASDAQ Global Market has also been low. Further, because each of our ADSs represents ten of our ordinary shares, trading volume in our ADSs may be lower than that for our ordinary shares. A thin trading market could cause the price of our ADSs to fluctuate significantly more than the stock market as a whole. For example, trades involving a relatively small number of our ADSs may have a greater impact on the trading price for our ADSs than would be the case if their trading volume were higher. Accordingly, holders of our ADSs may not be able to liquidate a position in our ADSs in the desired time or at the desired price.

The fact that we do not expect to pay cash dividends may lead to decreased prices for our stock.

We have never paid a cash dividend on our ordinary shares and we do not anticipate paying any cash dividend. We intend to retain future cash earnings, if any, for reinvestment in the development and expansion of our business.

If the holders of our outstanding convertible notes, warrants and stock options convert their notes or exercise their warrants and options, your ownership may be diluted and our stock price may decline.

The issuance of our ordinary shares or ADSs upon conversion of the convertible notes and upon exercise of the share purchase warrants and stock options would result in dilution to the interests of other holders of our ADSs and ordinary shares.

As of February 28, 2007, we had outstanding convertible securities, including stock options and warrants, representing the right to acquire 38,246,464 ADSs (382,464,642 ordinary shares), or approximately 82.41% of our total outstanding shares as of February 28, 2007, including:

- US$18.8 million (A$23.8 million) in principal amount of notes that are convertible, at the option of the note holders, or under certain circumstances at our election, into 11,589,917 ADSs (115,899,170 ordinary shares);
- warrants and investor options to purchase 24,266,784 ADSs (242,667,840 ordinary shares); and
- stock options to purchase the equivalent of 2,389,763 ADSs (23,897,632 ordinary shares).

Through February 28, 2007, holders of our convertible notes have exercised their option to convert US$530,723 (A$726,918) in principal amount of and US$4,277 (A$5,858) in interest on the convertible notes for 267,500 ADSs (2,675,000 ordinary shares).

Under certain circumstances, the number of shares into which the convertible notes can be converted will be increased. These circumstances include:

- in the event we issue securities at a price lower than the price at which the notes may then be converted;
- in the event that 108% of the volume-weighted average trading price of our ADSs for the ten trading days prior to April 30, 2007 is lower than the then current conversion price; and
- in the event that we issue a share dividend or otherwise recapitalize our shares.

The warrant exercise prices may also be adjusted under certain circumstances, including, among others, in the event we issue securities in a rights offering at a lower price than the exercise price, or in the event that we issue a share dividend or otherwise recapitalize our shares.

Any such downward adjustment of the note conversion price or warrant exercise prices could result in a higher number of ADSs or ordinary shares being issued, resulting in further dilution to existing shareholders.

Future issuances and sales of our stock could dilute your ownership and cause our stock price to decline.

We intend to continue to finance our operations through the issuance of equity and convertible securities, if feasible, including by way of the public equity markets, private financings and debt. If we raise additional capital through the issuance of equity or securities convertible into equity, existing holders of our securities may experience dilution. Those securities may have rights, preferences or privileges senior to those of the holders of our ADSs and ordinary shares. Additional financing may not be available to us on favorable terms, and financing available at less favorable terms may lead to more substantial dilution of existing shareholders.

Certain of our shareholders own a significant percentage of our ordinary shares and therefore may be able to influence our business in ways that are less beneficial to you.

Our current executive officers, directors (including the officers and directors of our subsidiaries) and their affiliates beneficially own or control approximately 8.33% of our outstanding ordinary shares (based on the number of our ordinary shares outstanding on February 28, 2007 and assuming the issuance of shares upon the exercise of options vested or vesting within 60 days of February 28, 2007). As a result, if our executive officers and directors and their affiliates were all to vote in the same way, they would have the ability to exert significant influence over our board of directors and how we operate our business. The concentration of ownership may also have the effect of delaying or preventing a change in control of our company.

If we fail to comply with internal controls evaluations and attestation requirements our stock price could be adversely affected.

We are subject to United States securities laws, including the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted by the SEC pursuant to such Act. Based on our evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, we have concluded that, as of June 30, 2006, our disclosure controls and procedures were ineffective in that we had insufficient accounting personnel who had sufficient knowledge and experience in U.S. GAAP and the SEC accounting requirements.

As a foreign private issuer, under Section 404 of the Sarbanes-Oxley Act and the related regulations, we are required to perform an evaluation of our internal controls over financial reporting, including (1) management's annual report on its assessment of the effectiveness of internal controls over financial reporting for the year ending June 30, 2007 and (2) our independent registered public accounting firm's annual audit of management's assessment beginning in the year ending June 30, 2008. If our foreign private issuer status were to change prior to June 30, 2007, the attestation requirement of our independent registered public accounting firm would be accelerated to cover the year ending June 30, 2007. We are in the early stages of the systems documentation and evaluation process. Combined with our initial testing of key internal controls during fiscal 2007 and the subsequent evaluation and testing by our independent registered public accounting firm commencing in fiscal 2008, we expect compliance with these requirements to be time-consuming and expensive. If we fail to complete the evaluation of our internal controls over financial reporting in time, if we identify material weaknesses in these internal controls or if our independent registered public accounting firm does not timely attest to our evaluation, we could be subject to regulatory scrutiny and decreased public confidence in our internal controls, which may adversely affect the market price of our stock.

Risks related to our recent acquisitions and financing transactions

The following risk factors relate to our recent acquisitions of pSiMedica and CDS, as well as: (1) our US$15 million (A$20.5 million) convertible note financing, referred to herein as our initial convertible note financing and (2) our US$6.5 million (A$8.5 million) convertible note financing referred to herein as the new convertible note financing.

A default under our outstanding convertible notes could seriously harm our operations.

On September 14, 2006, we repaid US$2.5 million (A$3.3 million) of our initial subordinated convertible promissory note issued in November 2005 and agreed to convert the unsecured, un-guaranteed debt represented by the note into secured, guaranteed debt. On September 26, 2006, we issued US$6.5 million (A$8.5 million) of new subordinated convertible promissory notes to other investors. Each of the notes and their respective related agreements contain numerous events of default which include:

- failure to register securities or maintain the registration of securities for resale after applicable cure periods;
- suspension of our ADSs or ordinary shares from trading for five consecutive trading days;
- failure to issue shares pursuant to a conversion within the applicable cure period;
- failure to pay interest, principal payments or other fees when due;
- if any indebtedness exceeding, US$250,000 (A$333,000) is declared due and payable prior to its specified maturity;
- a bankruptcy or insolvency proceeding instituted by or against us or a material subsidiary which is not dismissed within 30 days;
- breach by us of any material covenant or term or condition of the notes or any agreements made in connection therewith; and
- breach by us of any material representation or warranty made in the notes or in any agreements made in connection therewith.

If we default on the notes, a holder could demand that we redeem the full outstanding amount. In that event, any cash required to be paid would most likely come out of our working capital, which may not be sufficient to repay the amounts due. In addition, since we rely on our working capital for our day to day operations, such a default on the notes could materially adversely affect our business, operating results or financial condition to such extent that we are forced to restructure, file for bankruptcy, sell assets or cease operations. Further, our obligations under the initial notes are secured by the royalties on our currently marketed products and a guaranty by our U.S. subsidiary, pSivida Inc. Failure to fulfill our obligations under those notes and related agreements could lead to loss of these assets and subject pSivida Inc. to direct liability in the U.S., which would be detrimental to our financial condition and operations.

We may fail to integrate our operations successfully with the operations of CDS. As a result, pSivida and CDS may not achieve the anticipated benefits of the merger, which could adversely affect the price of ADSs.

We entered into the merger agreement and consummated the merger with the expectation that the merger would result in benefits to the combined companies, including the opportunity to combine the two companies' technologies, products and product candidates and the opportunity for us to establish a substantial presence in the U.S. that would facilitate access to U.S. markets. However, these expected benefits may not be fully realized. Failure of the combined company to meet the challenges involved with successfully integrating the personnel, products, technology and research and development operations of the two companies following the merger or to realize any of the other anticipated benefits of the merger, could have a material adverse effect on our business. Any such adverse effect could impair our financial condition and results of operations, or impair those of our subsidiaries, including pSivida Inc. These integration efforts may be difficult and time consuming, especially considering the highly technical and complex nature of each company's products. The challenges involved in this integration include the following:

- coordinating research and development operations in a rapid and efficient manner;
- combining platform technologies of disparate sources;
- demonstrating to collaboration partners that the merger will not result in adverse changes in technology focus or development standards;
- retaining key alliances with collaboration partners;
- absorbing costs and delays in implementing overlapping systems and procedures, including financial accounting systems and accounting principles;
- persuading employees that our business culture and that of CDS are compatible, maintaining employee morale and retaining key employees; and
- overcoming potential distraction of management attention and resources from the business of the combined company.

We may not successfully integrate our operations and technology with those of CDS in a timely manner, or at all. We may not realize the anticipated benefits of the merger to the extent, or in the timeframe anticipated which could significantly harm our business.

Our operating results could be adversely affected as a result of purchase accounting treatment, and the corresponding impact of amortization or impairment of other intangibles relating to the acquisitions, if the results of the combined company do not offset these additional expenses.

Under A-IFRS (effective from July 1, 2005), we accounted for the merger with CDS using the purchase method of accounting. Under purchase accounting, we recorded the market value of our ADSs, cash, other consideration issued in connection with the merger and direct transaction costs as the total cost of acquiring the business of CDS. We allocated that cost to the individual assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective estimated fair values. The amount we allocated to goodwill was A$30.4 million, the amount we allocated to patents was A$88.5 million and the amount we allocated to in-process research and development, or IPR&D, was A$34.3 million, giving rise to a deferred tax liability of approximately A$32.5 million net of deferred tax assets. Similarly, in connection with the purchase accounting for the prior step acquisitions of pSiMedica, we allocated approximately A$55 million to patents and licenses and approximately A$22 million to goodwill. Goodwill is not subject to amortization, but is subject to at least an annual impairment analysis, which may result in an impairment charge if the carrying value of the cash-generating unit to which goodwill has been allocated exceeds its fair value. The amount allocated to the CDS patents which cover Retisert has been amortized to date based upon a 12-year useful life following completion of the merger, or approximately A$7.4 million per fiscal year, and the amount allocated to the pSiMedica patents and licenses has been amortized to date based upon a 9-year useful life following the merger, or approximately A$6.2 million per fiscal year. Acquired IPR&D is subject to annual impairment analysis, which may result in a write-down of its carrying value. At such time, if any, that the project included in acquired IPR&D is successfully developed and available for commercial use, it will become subject to amortization over its then estimated useful life. As a result, purchase accounting treatment of the merger will increase our net loss or decrease our net income in the foreseeable future, which could have a material and adverse effect on the future market value of our ADSs.

During the six months ended December 31, 2006, our market capitalization decreased to a level significantly less than the carrying value of our net assets at that date. Also, during December 2006, in response to a need to conserve cash, we implemented certain cost reduction measures. One impact of these measures was a delay in the expected time period during which we believe certain BrachySil product candidates will be approved and begin generating sales. Additionally, during December 2006, our assessment of the probable level of future sales of our Retisert product decreased as a result of both information provided by a third party and the actual level of sales achieved during the six month period. Under both A-IFRS and U.S. GAAP, these represent triggering events that required us to evaluate the recoverability of our intangible assets, including goodwill. We have recently released our unaudited financial statements for the six months ended December 31, 2006 reported in accordance with A-IFRS, which included asset impairment charges related to our intangible assets of A$83.4 million. Our analysis under U.S. GAAP is not complete; however our current view is that no impairment will be recorded under U.S. GAAP.

Subsequent to the asset impairment described above, annual amortization under A-IFRS for the remaining carrying value of Retisert will be approximately A$2.2 million (based on the December 31, 2006 exchange rate). Amortization of the remaining carrying value of the pSiMedica patents and licenses will be A$699,000 per year based on a revised estimated remaining useful life of eleven years (based on the December 31, 2006 exchange rate).

If CDS' former stockholders sell substantial amounts of ADSs, the market price of ADSs may decline.

The resale by former CDS stockholders of our ADSs after the merger could cause the market price of our ADSs to decline. In connection with the merger, we issued 16,104,779 ADSs. While those ADSs were not initially freely tradable, we have registered their resale for stockholders entering into the registration rights agreement. Those ADSs became freely tradable under U.S. securities laws as of October 31, 2006.

We may have liability under the U.S. securities laws related to the recent changes to our outstanding convertible note.

On September 14, 2006, we revised certain terms of the initial subordinated convertible promissory note that we issued on November 16, 2005. In connection with the amendments, we repaid US$2.5 million (A$3.3 million) of the outstanding principal of the existing note and granted the holder an additional warrant to purchase 5.7 million ADSs and a security interest in our current royalties. Because we had earlier filed a registration statement related to the ordinary shares represented by ADSs underlying the initial note and the warrant issued with it, the revisions to the note and the issuance of the additional warrant, and our subsequent filing of an amendment to our registration statement to include the shares issuable pursuant thereto, may have resulted in a violation of the federal securities laws.

If the investor were to bring an action in court successfully making such an argument, we could be required to rescind the modified note and warrants for a period of one year following the date of the violation. In addition, if it is determined that we offered securities without properly registering them under federal or state law, or securing an exemption from registration, regulators could impose monetary fines or other sanctions as provided under these laws.

USE OF PROCEEDS

Unless we identify other uses of proceeds in a prospectus supplement, we intend to use the net proceeds from the sale of the securities for our general corporate purposes, which may include repayment of debt, capital expenditures, acquisitions, and working capital. Pending use, the net proceeds may also be temporarily invested in short-term securities.

Depending on market conditions and our financial needs, we may, from time to time, undertake additional financings. We cannot at this time estimate the amount and timing of such financings, if any.

FORWARD-LOOKING STATEMENTS

The statements incorporated by reference or contained in this prospectus discuss our future expectations, contain projections of our results of operations or financial condition, and include other forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended. Our actual results may differ materially from those expressed in forward-looking statements made or incorporated by reference in this prospectus. Forward-looking statements that express our beliefs, plans, objectives, assumptions or future events or performance may involve estimates, assumptions, risks and uncertainties. Therefore, our actual results and performance may differ materially from those expressed in the forward-looking statements. Forward-looking statements often, although not always, include words or phrases such as the following: “will likely result”, “are expected to”, “will continue”, “is anticipated”, “estimate”, “intends”, “plans”, “projection” and “outlook”.

You should not unduly rely on forward-looking statements contained or incorporated by reference in this prospectus. Various factors discussed in this prospectus, including, but not limited to, all the risks discussed in “Risk Factors” may cause actual results or outcomes to differ materially from those expressed in forward-looking statements. You should read and interpret any forward-looking statements together with these risks.

Any forward-looking statement applies only as of the date on which that statement is made. We will not update any forward-looking statement to reflect events or circumstances that occur after the date on which such statement is made.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2006 in accordance with A-IFRS. Significant post-balance sheet changes to the table are discussed in the footnotes below.

	As of December 31, 2006 Unaudited (In Australian Dollars)
Indebtedness	
Short-term debt (secured, guaranteed) (1)	6,011,000
Long-term debt (secured, guaranteed) (1)	4,712,000
Long-term debt (unsecured, unguaranteed) (2)	759,000
Total debt	11,482,000
Stockholders’ equity	
Share capital (3)	233,097,000
Reserves	8,393,000
Deficit accumulated prior to development stage	(3,813,000)
Deficit accumulated during development stage	(153,857,000)
Total stockholders’ equity	83,820,000
Total capitalization and indebtedness in accordance with A-IFRS	95,302,000

(1) The secured, guaranteed debt is recorded net of A$5,194,000 of unamortized discount related to the compound embedded derivative and the freestanding warrants, which discount has been allocated proportionately between short-term and long-term debt.

(2) The unsecured, unguaranteed debt is recorded net of A$7,111,000 of unamortized discount related to the compound embedded derivative and debt issue costs.

(3) On February 22, 2007, we issued 50,044,132 ordinary shares to Australian, European and U.S. investors at A$0.23 per share (US$1.82 per ADS equivalent) for total proceeds of A$11.51 million (US$9.09 million) before costs. Each ordinary share was purchased along with options to purchase two additional shares at an exercise price of A$0.23 per share which expire four years from issuance.

PLAN OF DISTRIBUTION

We may sell the ordinary shares, warrants, preference shares of units, (together referred to as "our securities") in any one or more of the following ways from time to time:

- to or through underwriters;
- to or through dealers;
- through agents; or
- directly to purchasers, including our affiliates.

The prospectus supplement with respect to any offering of our securities will set forth the terms of the offering, including:

- the name or names and addresses of any underwriters, dealers or agents;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation; and
- any delayed delivery arrangements.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to the prevailing market prices or at negotiated prices.

If securities are sold by means of an underwritten offering, we will execute an underwriting agreement with an underwriter or underwriters, and the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transaction, including commissions, discounts and any other compensation of the underwriters and dealers, if any, will be set forth in the prospectus supplement which will be used by the underwriters to sell the securities. If underwriters are utilized in the sale of the securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale.

Our securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by the managing underwriters. If any underwriter or underwriters are utilized in the sale of the securities, unless otherwise indicated in the prospectus supplement, the underwriting agreement will provide that the obligations of the underwriters are subject to conditions precedent and that the underwriters with respect to a sale of securities will be obligated to purchase all of those securities if they purchase any of those securities.

We may grant to the underwriters options to purchase additional securities to cover over-allotments, if any, at the public offering price with additional underwriting discounts or commissions. If we grant any over-allotment option, the terms of any over-allotment option will be set forth in the prospectus supplement relating to those securities.

If a dealer is utilized in the sales of securities in respect of which this prospectus is delivered, we will sell those securities to the dealer as principal. The dealer may then resell those securities to the public at varying prices to be determined by the dealer at the time of resale. Any reselling dealer may be deemed to be an underwriter, as the term is defined in the Securities Act of the securities so offered and sold. The name of the dealer and the terms of the transaction will be set forth in the related prospectus supplement.

Offers to purchase securities may be solicited by agents designated by us from time to time. Any agent involved in the offer or sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us to the agent will be set forth, in the applicable prospectus supplement. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a reasonable best efforts basis for the period of its appointment. Any agent may be deemed to be an underwriter, as that term is defined in the Securities Act of the securities so offered and sold.

Offers to purchase securities may be solicited directly by us and the sale of those securities may be made by us directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of those securities. The terms of any sales of this type will be described in the related prospectus supplement.

Underwriters, dealers, agents and remarketing firms may be entitled under relevant agreements entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, that may arise from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission to state a material fact in this prospectus, any supplement or amendment hereto, or in the registration statement of which this prospectus forms a part, or to contribution with respect to payments which the agents, underwriters or dealers may be required to make.

If so indicated in the prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by institutions to purchase securities from us pursuant to contracts providing for payments and delivery on a future date. Institutions with which contracts of this type may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases those institutions must be approved by us. The obligations of any purchaser under any contract of this type will be subject to the condition that the purchase of the securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which the purchaser is subject. The underwriters and other persons acting as our agents will not have any responsibility in respect of the validity or performance of those contracts.

Disclosure in the prospectus supplement of our use of delayed delivery contracts will include the commission that underwriters and agents soliciting purchases of the securities under delayed contracts will be entitled to receive in addition to the date when we will demand payment and delivery of the securities under the delayed delivery contracts. These delayed delivery contracts will be subject only to the conditions that we describe in the prospectus supplement.

In connection with the offering of securities, persons participating in the offering, such as any underwriters, may purchase and sell securities in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of bids or purchases for the purpose of preventing or retarding a decline in the market price of the securities, and syndicate short positions involve the sale by underwriters of a greater number of securities than they are required to purchase from any issuer in the offering. Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the securities sold in the offering for their account may be reclaimed by the syndicate if the securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might prevail in the open market, and these activities, if commenced, may be discontinued at any time.

CURRENCY TRANSLATION

pSivida Limited publishes its financial statements in Australian dollars. No representation is made that the Australian dollar or U.S. dollar amounts shown in this prospectus could have been or could be converted into U.S. dollars or Australian dollars, as the case may be, at any particular rate or at all.

DESCRIPTION OF ORDINARY SHARES

As of February 28, 2007, 464,086,007 ordinary shares were issued and outstanding. Our ordinary shares are represented by American Depositary Receipts or ADRs. Each ADR represents ten of our ordinary shares. An ADR is a receipt for the shares of a foreign corporation held in the vault of a U.S. bank and entitling the holder to all dividends and capital gains. Instead of buying shares of foreign-based companies in overseas markets, U.S. persons can buy shares in the United States in the form of an ADR. An American Depositary Share or ADS is the share issued under a depositary agreement representing the underlying ordinary share that trades in the issuer’s home market. Technically, ADS is the instrument that is actually traded, whereas the ADR is the certificate that represents the number of ADSs.

Citibank, N.A. acts as the depositary for our ADSs pursuant to a deposit agreement which is an exhibit in the Form F-6 registration statement filed by us on January 20, 2005, Registration No. 333-122158. The depositary’s office is located at 388 Greenwich Street, New York, New York, 10013, U.S.A.

Our ADSs are quoted on the NASDAQ Global Market under the symbol “PSDV.”

DESCRIPTION OF PREFERENCE SHARES

The material terms of any series of preference shares that we offer through a prospectus supplement will be described in that prospectus supplement. Our board of directors is authorized by our constitution to provide for the issuance of preference shares in one or more series with designations as may be stated in the resolution or resolutions providing for the issue of such preference shares. At the time that any series of our preference shares are authorized, our board of directors will fix the dividend rights, any conversion rights, any voting rights, redemption provisions, liquidation preferences and any other rights, preferences, privileges and restrictions of that series, as well as the number of shares constituting that series and their designation. Our board of directors could, without shareholder approval, cause us to issue preference stock which has voting, conversion and other rights that could adversely affect the holders of our ordinary shares or make it more difficult to effect a change in control. Our preference shares could be used to dilute the share ownership of persons seeking to obtain control of us and thereby hinder a possible takeover attempt which, if our shareholders were offered a premium over the market value of their shares, might be viewed as being beneficial to our shareholders. In addition, our preference shares could be issued with voting, conversion and other rights and preferences which would adversely affect the voting power and other rights of holders of our ordinary shares.

DESCRIPTION OF WARRANTS

pSivida may issue warrants to purchase ADRs or ordinary shares, or "equity warrants." Equity warrants may be issued independently or together with any securities and may be attached to or separate from those securities. We will issue equity warrants under warrant agreements to be entered into either between us and the warrant holders directly or between us and a bank or trust company, as warrant agent.

A prospectus supplement will describe the terms of equity warrants offered thereby, the warrant agreement relating to the equity warrants and the equity warrant certificates representing the equity warrants, including the following:

- the title of the equity warrants;
- the price or prices at which the equity warrants will be issued;
- if applicable, the number of equity warrants issued with ADRs or ordinary shares;
- any date on and after which the equity warrants and such ADRs or ordinary shares will be separately transferable;
- the date on which the right to exercise the equity warrants will commence, and the date on which those rights will expire;
- the maximum or minimum number of equity warrants which may be exercised at any time;
- information with respect to any book-entry procedures for the registration and transfer of equity warrants;
- a discussion of any material federal income tax considerations applicable to holding, transferring or exercising equity warrants; and
- any other terms of the equity warrants, including terms, procedures and limitations relating to the exercise of the equity warrants.

Unless we specify otherwise in a prospectus supplement, holders of equity warrants will not be entitled, by virtue of being such holders, to vote, consent, receive dividends, receive notice as shareholders with respect to any meeting of our shareholders, or to exercise any rights whatsoever as shareholders.

As described in a prospectus supplement, the exercise price payable and the number of ADRs or ordinary shares purchasable upon the exercise of each equity warrant will be adjusted in certain events, including the issuance of a stock dividend to holders of ordinary shares or a stock split, reverse stock split, combination, subdivision or reclassification of ordinary shares. Instead of adjusting the number of ADRs or ordinary shares purchasable upon exercise of each equity warrant, we may elect to adjust the number of equity warrants. No fractional ADRs or ordinary shares will be issued upon exercise of equity warrants, but we will pay the cash value of any fractional ADRs or ordinary shares otherwise issuable. Unless we specify otherwise in a prospectus supplement, in case of any consolidation, merger, or sale or conveyance of our property as an entirety or substantially as an entirety, the holder of each outstanding equity warrant shall have the right to the kind and amount of shares of stock and other securities and property (including cash) receivable by a holder of the number of ADRs or ordinary shares into which the equity warrant was exercisable immediately prior to the particular triggering event.

Each equity warrant will entitle the holder to purchase the principal amount or number of securities at the exercise price as shall in each case be set forth in, or be determinable as set forth in, the applicable prospectus supplement. Equity warrants may be exercised at any time up to the close of business on the expiration date set forth in the prospectus supplement relating to the warrants offered thereby. After the close of business on the expiration date, unexercised warrants will become void.

We will describe the procedures for exercising warrants in a prospectus supplement. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon that exercise. If less than all of the warrants represented by a particular warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

DESCRIPTION OF UNITS

As specified in the applicable prospectus supplement, we may issue units consisting of one or more warrants, preference shares, ordinary shares or any combination of such securities. The applicable prospectus supplement will describe:

- the terms of the units and of the warrants, preference shares and ordinary shares comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;
- a description of the terms of any unit agreement governing the units; and
- a description of the provisions for the payment, settlement, transfer or exchange or the units.

LEGAL MATTERS

The validity of the securities offered by this prospectus will be passed upon by Blake Dawson Waldron, Perth, Western Australia.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from our Annual Report on Form 20-F for the year ended June 30, 2006 have been audited by Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The audited historical financial statements of CDS for the three year period ended December 31, 2004, included in pSivida Limited’s Form 6-K furnished to the SEC on December 22, 2005 have been so incorporated in reliance upon the report of PricewaterhouseCoopers LLP, independent accountants, given upon the authority of said firm as experts in auditing and accounting.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a public company incorporated under the laws of Western Australia. Most of our directors and executive officers and current employees named in this prospectus reside outside the United States, and the assets of those non-resident directors and most of our assets are located outside the United States. It may be difficult for investors to effect service of process upon these directors and executive officers. In addition, there may be difficulties in certain circumstances in using the courts of Australia to enforce judgments obtained in United States courts in actions against us or our directors, including judgments based on the civil liability provisions of the federal securities laws of the United States.

EXPENSES

The expenses relating to the registration of the securities registered pursuant to the registration statement of which this prospectus is a part are estimated to be approximately US$131,842, which include the following categories of expenses:

SEC Registration Fees	US$1,842
Transfer Agent Fees	US$5,000
Printing and Photocopying	US$10,000
Legal Fees and Expenses	US$50,000
Accounting Fees and Expenses	US$50,000
Indenture Trustee Fees	US$5,000
Miscellaneous (including EDGAR filing costs)	US$10,000
Total	US$131,842

WHERE YOU CAN FIND ADDITIONAL INFORMATION

As required by the Securities Act, we have filed with the SEC a registration statement on Form F-3, of which this prospectus is a part, with respect to the securities offered hereby. This prospectus does not contain all of the information included in the registration statement. Statements in this prospectus concerning the provisions of any document are not necessarily complete. You should refer to the copies of the documents filed as exhibits to the registration statement or otherwise filed by us with the SEC for a more complete understanding of the matter involved. Each statement concerning these documents is qualified in its entirety by such reference.

We are subject to the information reporting requirements of the Securities and Exchange Act of 1934, as amended, applicable to foreign private issuers, and we comply with those requirements by submitting reports to the SEC. Those reports or other information may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our SEC filings and submissions also are available to the public on the SEC's website at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file quarterly and current reports with the SEC, unlike United States companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within six months after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" in this prospectus the information that we file with them. This means that we can disclose important information to you in this document by referring you to other filings we have made with the SEC. The information incorporated by reference is considered to be part of this prospectus, and later information we file with the SEC will update and supersede this information. We incorporate by reference the documents listed below:

- Our Annual Report on Form 20-F for the fiscal year ended June 30, 2006, filed with the SEC on December 8, 2006;
- The audited historical financial statements of CDS as of December 31, 2004 and 2003 and for each of the three years in the period December 31, 2004, included in our report on Form 6-K furnished to the SEC on December 22, 2005;
- Our report on Form 6-K furnished to the SEC on December 20, 2006;
- Our report on Form 6-K furnished to the SEC on January 3, 2007;
- Our report on Form 6-K furnished to the SEC on January 4, 2007;
- Our report on Form 6-K furnished to the SEC on January 23, 2007;

- Our report on Form 6-K furnished to the SEC on January 30, 2007;
- Our report on Form 6-K furnished to the SEC on January 31, 2007;
- Our report on Form 6-K furnished to the SEC on February 20, 2007;
- Our report on Form 6-K furnished to the SEC on February 22, 2007;
- Our report on Form 6-K furnished to the SEC on February 27, 2007;
- Our report on Form 6-K furnished to the SEC on February 28, 2007; and
- The description of our securities contained in our Registration Statement on Form 20-F, filed with the SEC on January 20, 2005 and any amendment or report filed for the purpose of updating that description.

In addition, all subsequent annual reports filed on Form 20-F prior to the termination of this offering are incorporated by reference into this prospectus. Also, we may incorporate by reference our future reports on Form 6-K by stating in those Forms that they are being incorporated by reference into this prospectus.

This prospectus may contain information that updates, modifies or is contrary to information in one or more of the documents incorporated by reference in this prospectus. Reports we file with the SEC after the date of this prospectus may also contain information that updates, modifies or is contrary to information in this prospectus or in documents incorporated by reference in this prospectus. Investors should review these reports as they may disclose a change in our business, prospects, financial condition or other affairs after the date of this prospectus.

Upon your written or oral request, we will provide at no cost to you a copy of any and all of the information that is incorporated by reference in this prospectus.

Requests for such documents should be directed to:

Lori Freedman, Esq.
Vice President, Corporate Affairs, General Counsel and Secretary
pSivida Limited
400 Pleasant Street
Watertown, MA 02472
Telephone: (617) 926-5000

You may also access the documents incorporated by reference in this prospectus through our website www.psivida.com. Except for the specific incorporated documents listed above, no information available on or through our website shall be deemed to be incorporated in this prospectus or the registration statement of which it forms a part.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 8. Indemnification of Directors and Officers

Constitution

Our constitution states that we must, to the extent the person is not otherwise indemnified, indemnify every officer of pSivida or its wholly-owned subsidiaries. Whilst our constitution provides that we may indemnify our auditors against any liabilities to third parties arising from service to pSivida, except for any liabilities arising out of conduct involving a lack of good faith, no actual indemnification has been provided or sought. Further, we hereby acknowledge that such indemnifications are deemed to be unenforceable under U.S. securities laws, and we hereby undertake not to provide such indemnification in the future.

In addition, we may advance funds to cover legal costs incurred by any officer or auditor in defending against liabilities arising from service to pSivida.

The Australian Corporations Act 2001 permits a company to purchase and maintain insurance on behalf of directors, other officers or auditors of pSivida against any liability (other than legal costs) except liability arising out of conduct involving a willful breach of duty, the improper use of information acquired by virtue of his or her position, or the improper use of his or her position to gain an advantage for himself or herself or any other person, or to cause detriment to pSivida. Our constitution authorizes us to purchase and maintain liability insurance, subject to Australian law.

We confirm that we have not, nor do we have an obligation or arrangement to, advance funds to our auditors to cover legal costs or purchase or maintain insurance on behalf of our auditors. We hereby acknowledge that such obligations or arrangements are deemed unenforceable under U.S. Securities laws and we hereby undertake not to provide or seek any such obligation or arrangement in the future. Our auditors have earlier provided the SEC with similar assurances.

The indemnity in favor of officers is a continuing indemnity which applies in respect of all acts done by a person while an officer of pSivida or one of its wholly owned subsidiaries even though the person is not an officer at the time the claim is made.

Subject to Australian law, we may enter into an indemnification agreement with a person who is or has been an officer of pSivida or any of its subsidiaries, to give effect to the indemnification rights provided for in the Constitution.

Australian Law

Section 199A(1) of the Corporations Act 2001 (Commonwealth) provides that a company or a related body corporate must not exempt a person from a liability to the company incurred as an officer of the company. Section 199A(2) of the Corporations Act provides that a company or a related body corporate must not indemnify a person against any of the following liabilities incurred as an officer of the company:

- a liability owed to the company or a related body corporate;
- a liability for a pecuniary penalty order or compensation order under specified provisions of the Corporations Act; or
- a liability that is owed to someone other than the company or a related body corporate that did not arise out of conduct in good faith.

Section 199A(2) does not apply to a liability for legal costs.

Section 199A(3) provides that a company or a related body corporate must not indemnify a person against legal costs incurred in defending an action for a liability incurred as an officer of the company if the costs are incurred:

• in defending or resisting proceedings in which the person is found to have a liability for which they could not be indemnified under Section 199A(2); or

• in defending or resisting criminal proceedings in which the person is found guilty; or

• in defending or resisting proceedings brought by the Australian Securities and Investments Commission (ASIC) or a liquidator for a court order if the grounds for making the order are found by the court to have been established (this does not apply to costs incurred in responding to actions taken by ASIC or a liquidator as part of an investigation before commencing proceedings for the court order); or

• in connection with proceedings for relief to the person under the Corporations Act in which the court denies the relief.

Section 199B of the Corporations Act provides that a company or a related body corporate must not pay, or agree to pay, a premium for a contract insuring a person who is or has been an officer of the company against a liability (other than one for legal costs) arising out of:

• conduct involving a willful breach of any duty in relation to the company; or

• a contravention of the officer's duties under the Corporations Act not to improperly use their position or make improper use of information obtained as an officer.

For the purpose of Sections 199A and 199B, an "officer" of a company includes:

• a director or secretary;

• a person who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the company;

• a person who has the capacity to significantly affect the company's financial standing; and

• a person in accordance with whose instructions or wishes the directors of the company are accustomed to act.

Item 9. Exhibits

Exhibit No.	Exhibit Title
1.1	Underwriting Agreement (for equity securities)**
2.1	Merger Agreement, dated October 3, 2005, among pSivida Limited, pSivida Inc., and Control Delivery Systems Inc. (b)
4.1	Deposit Agreement, by and among pSivida Limited, Citibank, N.A. and the Holders and Beneficial Owners of American Depositary Shares Evidenced by American Depositary Receipts Issued Thereunder (c)
5.1	Legal Opinion of Blake Dawson Waldron, dated February 28, 2007 (a)
23.1	Consent of PricewaterhouseCoopers LLP, dated March 5, 2007 (a)
23.2	Consent of Deloitte Touche Tohmatsu, dated March 2, 2007 (a)
23.3	Consent of Blake Dawson Waldron (contained in the opinion filed as Exhibit 5.1 to this Registration Statement)
24.1	Power of Attorney (included on the signature page of this Registration Statement)

**To be file either as an amendment or as an exhibit to a report filed pursuant to the Securities Exchange Act of 1934 of the Registrant and incorporated by reference into the Registration Statement.
(a) Filed herewith.
(b) Incorporated by reference to the registrant's later filing on Form 6-K (Commission file number 000-51122) filed on October 4, 2005. The agreement filed omitted certain schedules containing immaterial information; the registrant agrees to furnish supplemental copies of any omitted schedules to the Commission upon request.
(c) Incorporated by reference to the registrant's filing on Form F-6 (Commission file number 333-122158) filed on January 19, 2005.

Item 10. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required in Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the "Plan of Distribution" not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, *however*, that:

(A) Paragraphs (1)(i) and (1)(ii) of this section do not apply if the registration statement is on Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement; and

(B) Paragraphs (1)(i), (1)(ii) and (1)(iii) of this section do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424 (b) that is part of the registration statement.

(C) *Provided further*, *however*, that paragraphs (1)(i) and (1)(ii) do not apply if the registration statement is for an offering of asset-backed securities on Form S-1 or Form S-3, and the information required to be included in a post-effective amendment is provided pursuant to Item 1100(c) of Regulation AB.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Securities Act of 1933 need not be furnished, provided, that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Securities Act or Rule 3-19 if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in Form F-3;

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 8 above, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Perth, Western Australia on March 6, 2007.

PSIVIDA LIMITED

By: /s/ Paul Ashton

Name: Paul Ashton
Title: Managing Director

By: /s/ Michael J. Soja

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

Each of the undersigned hereby constitutes and appoints Paul Ashton and Michael J. Soja, in each case acting individually, his true and lawful attorney-in-fact, with power of substitution and resubstitution, in his name, place and stead, in any and all capacities, to sign any or all amendments, including post-effective amendments, and supplements to this Registration Statement or any related registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the U.S. Securities Act of 1933, as amended, this Registration Statement has been signed by or on behalf of the following persons in the capacities indicated as of March 6, 2007.

Name	**Title**
/s/Paul Ashton Name: Paul Ashton	Managing Director, (principal executive officer)
/s/Roger Aston Name: Roger Aston	Director
/s/Stephen Lake Name: Stephen Lake	Director
/s/David Mazzo Name: David Mazzo	Chairman of the Board of Directors
/s/Michael W. Rogers Name: Michael W. Rogers	Director
/s/ Michael J. Soja Name: Michael J. Soja	Vice President, Finance and Chief Financial Officer, Authorized Representative in the United States (principal accounting officer)

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Our reference
DRD MRW 09-1412-4432

BLAKE DAWSON WALDRON
LAWYERS

pSivida Limited
Level 12, BGC Centre
28 The Esplanade
PERTH WA 6000

Attention: The Directors

28 February 2007

Dear Sirs

Registration Statement on Form F-3 (Shelf)

We have acted as Australian legal advisers to pSivida Limited (**Company**) in connection with the Company's registration statement on Form F-3 (**Registration Statement**), to be filed with the Securities and Exchange Commission under the U.S. Securities Act of 1933 as amended (**Securities Act**) on or about the date of this opinion.

The Registration Statement relates to the offer from time to time, in one or more series or issuances and at prices and on terms that will determined at the time of offering, up to US$60,000,000 in gross proceeds, by the Company of Shares, Warrants, Preference Shares and/or Units. We are furnishing this opinion as exhibit 5.1 to the Registration Statement, subject to the final paragraph of this opinion.

1. **DEFINITIONS**

In this opinion:

(a) **ACN** means Australian Company Number.

(b) **ASIC** means the Australian Securities and Investments Commission.

(c) **ASX** means ASX Limited ACN 008 624 691 or the market operated by it, the Australian Securities Exchange, as the context requires.

(d) **ASX Listing Rules** means the Listing Rules of ASX.

(e) **Company** means pSivida Limited, registered in Western Australia, ACN 009 232 026.

(f) **Corporations Act** means the *Corporations Act 2001* (Cth).

(g) **Issue** means each issue of Securities.

(h) **Preference Shares** means the preference shares which may be offered from time to time by the Company pursuant to the Registration Statement and described in the section headed "Description of Preference Shares" in the Registration Statement.

(i) **Prospectus** means the prospectus contained in the Registration Statement.

(j) **Relevant Jurisdiction** means the State of Western Australia, Australia.

(k) **Relevant Laws** means the laws of the Relevant Jurisdiction and the federal laws of Australia as they apply in the Relevant Jurisdiction.

(l) **Securities** means the Shares, Warrants, Preference Shares and Units or any one or more of them as the context requires.

(m) **Shares** means the fully paid ordinary shares which may be offered from time to time by the Company pursuant to the Registration Statement and described in the section headed "Description of Ordinary Shares" in the Registration Statement and any fully paid ordinary shares arising from the exercise or conversion of any of the other Securities.

(n) **Units** means the units which may be offered from time to time by the Company pursuant to the Registration Statement and described in the section headed "Description of Units" in the Registration Statement.

(o) **Warrants** means the warrants which may be offered from time to time by the Company pursuant to the Registration Statement and described in the section headed "Description of Warrants" in the Registration Statement.

In this opinion, headings are for convenience only and do not affect interpretation and references to paragraphs are to paragraphs of this opinion.

2. DOCUMENTS REVIEWED

For the purposes of giving this opinion, we have examined the following documents:

(a) a search of the ASIC database in respect of the Company on 28 February 2007 which shows that the Company is registered;

(b) the current constitution of the Company;

(c) the draft Prospectus;

(d) resolutions of the board of directors of the Company passed on 12 January 2007 authorising the execution and filing of the Registration Statement, certified as a true and correct copy by the company secretary of the Company; and

(e) the draft Registration Statement dated 26 February 2007.

3. **SCOPE**

This opinion relates only to the Relevant Laws in force at 9 am (Western Australian time) on the date of this opinion.

This opinion is given on the basis that it will be construed in accordance with the Relevant Laws.

4. **OPINION**

Subject to the assumptions and qualifications set out below and the matters set out above, we are of the following opinion:

(a) the Company has been duly incorporated and is registered as a public company limited by shares under the Corporations Act; and

(b) when:

(i) the Registration Statement has become effective under the Securities Act and such effectiveness has not been terminated or rescinded;

(ii) the creation, allotment and issue of the Securities has been resolved upon by the Company in conformity with its constitution, the ASX Listing Rules, the Relevant Laws, all other applicable laws, the provisions of all instruments and agreements binding upon the Company and any restriction imposed by any court or governmental body having jurisdiction over the Company or the Securities;

(iii) the Securities have been duly issued and paid for as contemplated by the Registration Statement and the terms of issue of the Securities,

then the Securities will be validly issued, fully paid and there will be no liability for further calls on them to contribute to the liabilities of the Company or otherwise.

5. **ASSUMPTIONS**

For the purposes of this opinion, we have assumed that:

(a) all signatures, seals and dates on the documents which we have reviewed are genuine;

(b) if we have reviewed a draft of a document rather than a signed or executed copy, the document will be executed in the form of that draft;

(c) each document which is submitted to us is complete and each copy of a document conforms to the original document which continues in full force and effect;

(d) any document that we have reviewed has not been amended, released or discharged, and no provision in it has been waived;

(e) the Registration Statement and Prospectus, when filed with the Securities and Exchange Commission, will not differ in any material way from the drafts of the Registration Statement and Prospectus which we have examined for the purposes of this opinion;

(f) any factual statement made in any document is true;

(g) the creation, allotment and issue of the Securities will be undertaken in accordance with, and the terms of the Securities will comply with, the constitution of the Company, the ASX Listing Rules, all Relevant Laws and all other applicable laws, and the Securities will be issued as fully paid.

(h) in connection with each Issue there will be no contravention:

(i) of any Relevant Laws including, without limitation, the Corporations Act and the *Foreign Acquisitions and Takeovers Act* 1975 (Cth);

(ii) of the ASX Listing Rules;

(iii) of the Company's constitution;

(iv) by the Company of any agreement or instrument binding on it;

(v) by the Company of any order, requirement or restriction imposed on it by a court or governmental body in the Relevant Jurisdiction;

(i) each Issue will be conducted by the Company in good faith and in its best interests, for the purpose of carrying on its business;

(j) the Company will be solvent at the time of and immediately after each Issue and is solvent at the date of this opinion;

(k) each meeting of the Company's board of directors and shareholders (if required) to approve the issue of Securities is properly convened and:

(i) the resolutions are properly passed as valid decisions of the board of directors of the Company or the Company's shareholders (as the case may be) and have not been and will not be subsequently revoked, cancelled or varied; and

(ii) the directors of the Company have properly performed their duties and all provisions relating to the declaration of interest and voting have been duly observed; and

(l) where any obligation in connection with an Issue is to be performed in any jurisdiction other than the Relevant Jurisdiction, or is subject to any laws other than the Relevant Laws, it will not be illegal, invalid or unenforceable under the laws of that jurisdiction or such other laws.

We have not investigated whether the assumptions in this paragraph 5 are correct.

None of the assumptions is limited by reference to any other assumption.

6. QUALIFICATIONS

Our opinion is subject to the following qualifications.

6.1 Searches

We have not made any independent investigations or searches, other than requests to ASIC for the company search referred to in paragraph 2(a) (the information disclosed in the search results rely on information lodged by the Company, and the search results may not be complete, accurate or up to date).

6.2 General qualifications

(a) We have relied, as to certain matters of fact, on information provided by officers of the Company.

(b) No allotment of any Securities has (we understand) yet taken place and no such allotment may take place.

(c) This opinion only relates to the laws of the Relevant Jurisdiction. We express no opinion on laws other than the Relevant Laws.

None of the qualifications is limited by reference to any other qualification.

7. CONSENT

We hereby consent to the use of this opinion in, and the filing of this opinion, as an exhibit to the Registration Statement, and to the reference to our firm under the heading “Legal Matters” and elsewhere in, the Prospectus. In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the Rules and Regulations of the Commission under the Securities Act.

8. **RELIANCE**

This opinion is addressed solely to the Company.

Other than as contemplated in paragraph 7, this opinion may not, in whole or in part, without our prior written consent be:

(a) relied upon by any other person;

(b) disclosed to any other person; or

(c) filed with any government or other agency or quoted or referred to in any public document,

except as required by law.

Yours faithfully

/s/ Blake Dawson Waldron

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form F-3 of our report dated December 2, 2005 relating to the financial statements which appears in pSivida Limited's Form 6-K filed December 22, 2005. We also consent to the references to us under the headings “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
March 5, 2007

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form F-3 of our report dated October 31, 2006 relating to the financial statements of pSivida Limited and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the substantial doubt about the Company's ability to continue as a going concern), appearing in the Annual Report on Form 20-F of pSivida Limited for the year ended June 30, 2006, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Perth, Australia
March 2, 2007