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Open Briefing Interview with Managing Director, Dr Paul Ashton - pSivida reincorporation in the US

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pSivida Ltd. (NASDAQ:PSDVV, ASX:PVA, FSE:PSI) has implemented the Scheme of Arrangement for pSivida's reincorporation in the US, which was approved by shareholders on June 6, 2008 and the Australian Federal Court on June 12, 2008. Can you explain the strategic rationale behind the reincorporation?

MD Paul Ashton
The reincorporation is designed to make the company a more attractive investment for shareholders by increasing the potential scope and depth of the company shareholder base and liquidity while maintaining strong ties with the Australian investor base. A significant percentage of our shareholders are resident in the US, and prior to the reincorporation, have experienced significant transactional costs in depositary fees to trade American Depository Shares (ADSs) on NASDAQ. With this move to a NASDAQ listing of our common stock, these additional costs have been eliminated, which we hope will expand interest in owning our company's stock. Furthermore, this move to the US is the next key step in our long-standing strategy of building a global drug delivery company, by focusing growth and development in the US. The US is where the company has achieved its recent significant business successes, and the US reincorporation will reduce ongoing compliance costs and enable us to continue the engagement of Deloitte Touche Tohmatsu, the company's independent auditor.

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What does this move mean for your Australian shareholders? Is this a sign to shareholders that you intend to move away from the Australian capital market?

MD Paul Ashton
We continue to believe that the Australian capital market is very important to the success of the company. As a result, we structured the reincorporation to continue strong connections with the Australian investor community and minimize the reincorporation's impact on those investors. We listed the new Delaware company on the ASX, and trading of our CHESS depositary interests (CDIs) commenced on the ASX on June 12, 2008. Shares that formerly traded under the share code PSD (ASX) were exchanged for CDIs, which are now trading under the symbol PVA. ADSs that were traded under the symbol PSDV (NASDAQ) were exchanged for shares of our common stock that now temporarily trades under the symbol PSDVV and will then trade under the symbol PSDV. Holders of ordinary shares and ADSs maintained the same proportionate interest in our company following the reincorporation.

While the major focus for the company has shifted to the US consistent with our strategy of concentrating its presence in the US to better access business opportunities in the world's largest healthcare market, the Australian capital market is extremely important to us, as a large proportion of our shareholder base will remain in Australia. The US is the largest investment market, particularly for biotech companies, and we hope to attract increased shareholder interest through this reincorporation.

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Following the reincorporation in the US, you have received one CHESS Depository Interests (CDIs) in the new US corporation for each 40 ordinary shares of the predecessor Australian corporation you held, and one share of common stock in the new US company for each four American Depository Shares (ADSs) you held. This equates to a 1-to-40 share exchange ratio of the approximately 730 million shares on issue previously. Can you explain the basis of this ratio?

MD Paul Ashton
When establishing pSivida Corp as a US based company, we needed to determine how many shares the new company would have. We were advised about the level of outstanding common stock that would be appropriate for a company at our stage of development and set our exchange ratio to meet that level. Our Board also had in mind the minimum price requirements of

NASDAQ and ASX and maintaining the important listings on those exchanges.

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Will this move lead to a negative impact on the liquidity of your shares?

MD Paul Ashton
Clearly, there are now fewer shares on issue, but our outstanding capitalization is very typical for well-traded companies. In recent days, the securities of pSivida Corp. ('PVA' on the ASX and 'PSDVV' on NASDAQ) have traded on a deferred settlement basis. Going forward, ordinary trading will commence following the Implementation Date on June 19.

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Will the change to ASX listed CDIs from the ASX-listed shares mean any change in your continuous disclosure obligations? How will you seek to provide timely disclosure of information to Australian investors?

MD Paul Ashton
As an ASX listed company, we will continue to comply with the continuous disclosure requirements of ASX. As a US company, we will also have to comply with the US disclosure requirements.

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Net cash provided by operating activities was US$8.5 million for the quarter ended March 31, 2008. During that quarter gross cash outflows from operations were US$4.6 million compared with US$6.4 million the previous quarter. How do you see your cash burn for the remainder of the year following reincorporation?

MD Paul Ashton
The primary influence to our ongoing gross cash outflows is the recent amendment to our licensing agreement with Alimera Sciences valued at US$78 million, whereby Alimera is now funding the full cost of our Phase III Medidur trial for the treatment of diabetic macular edema (DME) through to expected FDA approval. Payments of Medidur development costs decreased approximately US$1.8 million from the prior quarter, representing the savings in cash outflows from operations.
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Previously you indicated that you will be commencing Phase IIb trials of BrachySil for pancreatic cancer. Is it your intention to conduct the trials independently?

MD Paul Ashton
We plan to fund the upcoming Phase IIb trials for BrachySil. However, we're also seeking licensing opportunities for our technologies at the appropriate time, including BrachySil. We will continue to fund BrachySil up until the time that we feel there is an attractive licensing deal for this technology.

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What are your operational priorities for the rest of the year?

MD Paul Ashton
We'll continue to work on development of our BrachySil product candidate for pancreatic cancer and continue R&D work with respect to new product development in ophthalmology in collaboration with our licensing partners, Pfizer and Alimera Sciences. We have a fully funded and fully recruited Phase III clinical trial in Medidur for the treatment of DME with the results of the trial expected in September 2009 and a New Drug Application (NDA) submission to the FDA aimed in the first quarter of 2010. There are currently no FDA approved treatments for DME in a market that has been estimated to be $1.5 to $3 billion in the US alone. Given the size of this market, this is our single biggest and most tangible opportunity as our agreement provides for us to receive 20 percent of net profits plus a substantial milestone payment.

Other goals for the year are new technology evaluation agreements, and possible new licensing agreements.

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Thank you Paul.

For more information about pSivida, visit www.psivida.com.au or email Brian Leedman, Vice President, Investor Relations on brianl@psivida.com For previous Open Briefings by pSivida, or to receive future Open Briefings by email, visit www.corporatefile.com.au.

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