

PSIVIDA CORP.

CONTINUOUS DISCLOSURE POLICY

1. Introduction and Commitment to Market Disclosure

As an entity listed on the Australian Stock Exchange, pSivida Corp. (“pSivida” or the “Company”) must comply with certain continuous disclosure obligations imposed by the Corporations Act 2001 (Cth) (“Corporations Act”) and the ASX Listing Rules, and the Board of Directors of pSivida are committed to a policy of continuous disclosure. Chapter 3 of the ASX Listing Rules requires that the Company provide the ASX with immediate notice of certain material information.

2. Responsible Persons

The Executive Directors of the Company in consultation with their legal and corporate advisors are the sole determinates of “materiality” and therefore disclosure requirements.

3. Material Information

All management must inform the Managing Director or in their absence the Company Secretary of any potentially material information or proposal as soon as practicable after the manager becomes aware of that information. ASX Listing Rule 3.1 states that once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities, the entity must immediately tell ASX that information.

4. Exemption from Disclosure

An exemption from the requirement to make disclosure in Listing Rule 3.1A is available, but **only operates while all three elements of the exemption are satisfied**. If any of the requirements cease to be satisfied, the entity must disclose the information immediately.

Each of the three elements that must be established for information to be exempt from disclosure are discussed in more detail as follows:

A reasonable person would not expect the information to be disclosed (Listing Rule 3.1A.1)

A reasonable person would not expect information to be disclosed if the result would be to cause unreasonable prejudice to the entity. Similarly, a reasonable person would not expect disclosures of an inordinate amount of detail.

Confidentiality (Listing Rule 3.1A.2)

Listing Rule 3.1A.2 requires that the information that is not to be disclosed be confidential. “Confidential” in this context has the sense of secret, and generally implies control by the Company of the use that can be made of the information. The mere fact that a confidentiality agreement has been entered into will not automatically satisfy this element. Confidential means that no one in possession of the information is entitled to trade in the Company’s securities. Unusual activity in the Company’s securities may suggest that the information is no longer confidential.

The ASX accepts that confidentiality is not breached if information is given to the company's advisers, a person with whom the Company is negotiating, or other regulatory authorities, if it is given on a basis which restricts its use to the stated purpose.

One of the Elements in Listing Rule 3.1A.3

One of the five elements in Listing Rule 3.1A.3 must also be established. These elements are:

- It would be a breach of the law to disclose the information;
- The information concerns an incomplete proposal or negotiation;
- The information comprises matters of supposition, or is insufficiently definite to warrant disclosure;
- The information is generated for internal management purposes of the Company; or
- The information is a trade secret.

5. When is the Company aware of information?

The Listing Rules provide that the Company is aware of information if a Director or executive officer has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a Director or executive officer of the Company.

An "executive officer" of the Company means a person who is concerned in, or takes part in, management of the Company. A person can be an executive officer regardless of his or her designation, and irrespective of whether or not the person is a Director.

6. What information has a material effect on price?

The effect of information on the price or value of the Company's securities is to be judged by the expectations of a "reasonable person". A reasonable person would expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence investors who commonly invest in securities in deciding whether or not to deal in the Company's securities.

7. Company Records

The Company Corporate File contains all matters of materiality and all records of disclosure to Australian Stock Exchange ("ASX") and Australian Securities & Investments Commission ("ASIC").

8. Disclosure Procedures

The Company Secretary is responsible for the disclosure of material information to the ASX and ASIC and maintains a procedural methodology for disclosure as well as for record keeping.

Refer to the Communications Strategy Policy for the method of disclosure to shareholders and the general public.

9. Approval of Disclosure

Any items of materiality that require disclosure require the approval of the Managing Director plus a minimum of one other Director.

10. Disclosure of Information to Brokers and Press

Listing Rule 15.7 has the effect that the Company must not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to the ASX, and has received an acknowledgement that the ASX has released it to the market.

With respect to analysts, the ASX states that a company must only disclose public information in answering analysts' questions, or reviewing analysts' draft reports. The ASX states that it is inappropriate for a question to be answered, or a report corrected, if doing so involves providing material information that is not public. The ASX states that when analysts visit the company, care should be taken to ensure that they do not obtain material information that is not public.

11. Internal Disclosure

Employees will have access to information that is confidential. The employees with such access should be made aware of its confidential nature. The ASX notes that companies should ensure that confidential information does not find its way into "in house" publications.

12. Review of Company Policy on Continuous Disclosure

This policy is reviewed annually by the Board of Directors.

13. Disciplinary Action

Breaches of this policy may lead to disciplinary action being taken against employees and consultants, including dismissal in serious cases.

14. Contacts

If you have any questions arising from Continuous Disclosure Policy, you may contact one of the persons listed below.

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