



## QUARTERLY CASH FLOW REPORT PERIOD ENDED 31 MARCH 2006

Attached is the Appendix 4C – Quarterly Cash Flow Report – for Starpharma Holdings Ltd (ASX:SPL, USOTC:SPHRY) for the quarter ended 31 March 2006.

Cash on hand at 31 March was A\$15.4 million, after receiving the remaining A\$2.0 million (net of costs) from the December share purchase plan in January. This compares with the December cash balance of A\$15.5 million.

In addition to the above cash balance of \$15.4 million, at the end of the quarter a further A\$2.0 million was receivable from the US National Institutes of Health (NIH) under the A\$26.4 million contract supporting the development of VivaGel™ for HIV prevention, for the period 1 October 2005 to 31 March 2006.

Since the end of the quarter the Company has made a significant announcement regarding support for VivaGel™ for a second disease indication. On 20 April 2006 Starpharma signed an agreement under which the NIH will fund a clinical trial to test the use of VivaGel™ in the prevention of genital herpes. The agreement also provides that the National Institute of Allergy and Infectious Diseases (NIAID) – part of the NIH – will act as sponsor for the investigational new drug (IND) application to the FDA for VivaGel™ for prevention of genital herpes.

Under this latest agreement (separate from the previously announced HIV funding) the clinical trials and related activities for the genital herpes indication will be directly funded by NIAID, rather than cash being provided to Starpharma. Starpharma maintains full commercial rights on the product, with no royalties payable to any other party.

Genital herpes is a major problem for the western world and other than condoms, there are no products currently available to prevent transmission. There is an overwhelming unmet medical need for a preventative product and there are currently few products in development. Having the support of the world's pre-eminent health organisation for the clinical development of VivaGel™ for genital herpes places Starpharma in a highly competitive position internationally.

Starpharma has a strong cash position with well over two years funding at projected burn rates, and with development of its lead products in two significant indications largely being achieved without expenditure of shareholder funds.

A handwritten signature in black ink, appearing to read 'John W Raff'.

John W Raff  
Chief Executive Officer

## **About Starpharma**

**Starpharma Holdings Limited** (ASX:SPL, USOTC:SPHRY) leads the world in the application of nanotechnology to pharmaceuticals. The Company's lead product in development is VivaGel™ (SPL7013 Gel), a vaginal microbicide designed to prevent the transmission of STIs, including HIV and genital herpes.

VivaGel™ is the first example of a product to come from Starpharma's dendrimer-based discovery pipeline, which also includes specific programs in the fields of ADME Engineering™ (using dendrimers to control where and when drugs go when introduced to the body), Polyvalency (using the fact that dendrimers can activate multiple receptors simultaneously) and Targeted Diagnostics (using dendrimers as a scaffold to which both location-signaling and targeting groups are added to allow location of specific cell type, such as cancer cells).

Starpharma also has equity interests in two companies:

- *Dendritic NanoTechnologies, Inc. (DNT)* – a US company established with the pioneer of dendrimer nanotechnology Dr Donald A. Tomalia and in which the Dow Chemical Company holds 30% equity ; and
- *Dimerix Bioscience Pty Ltd* – a specialist drug development company established to commercialise unique technology developed at the Western Australian Institute for Medical Research in the new field of receptor coupling, specifically G-Protein coupled receptors (“GPCRs”).

**Dendrimers:** A type of precisely-defined, branched nanoparticle. Dendrimers have applications in the medical, electronics, chemicals and materials industries.

**Microbicides:** A microbicide inactivates, kills or destroys microbes such as viruses and bacteria. Microbicides may be formulated as gels, creams, sponges, suppositories or films with the purpose of reducing significantly the incidence of STIs. They are intended for vaginal or rectal use to afford protection for varying periods, from several hours up to days. Microbicides may also be designed to have a contraceptive function.

**Genital herpes:** A recurrent, lifelong viral infection caused by the sexually transmitted herpes simplex virus type-2 (HSV-2). It is one of the most prevalent STIs, estimated to infect between 15% and 25% of male and female adults in developed countries. This figure is expected to rise to about 39% for males and 49% for females by 2025, unless effective preventive measures are found to reverse the trend. Herpes is estimated to affect one in six adults in America and new cases cost more than US\$1.5 billion each year. The figures for Australia are similar with an estimated one in six adults suffering from genital herpes (3.4 million people).

HSV-2 infection has a marked effect on a sufferer's quality of life. The virus is highly contagious and women appear to be at greater risk of infection than men. HSV-2 infection can make people more susceptible to infection by HIV and increase the transmission rate of HIV. If transmitted from mother to baby, the disease has very serious consequences.

**American Depositary Receipts (ADRs):** Starpharma's ADRs trade under the code **SPHRY** (CUSIP number 855563102). Each Starpharma ADR is equivalent to 10 ordinary shares of Starpharma as traded on the Australian Stock Exchange. The Bank of New York is the depositary bank.

<b>Media</b>	<b>Starpharma</b> <a href="http://www.starpharma.com">www.starpharma.com</a>		
<b>Rebecca Wilson</b> Buchan Tel: +61 2 9237 2800 Mob: +61 417 382 391 <a href="mailto:rwilson@bcg.com.au">rwilson@bcg.com.au</a>	<b>John Raff</b> Chief Executive Officer +61 3 8532 2701 <a href="mailto:john.raff@starpharma.com">john.raff@starpharma.com</a>	<b>Jackie Fairley</b> Chief Operating Officer +61 407 716 887 <a href="mailto:jackie.fairley@starpharma.com">jackie.fairley@starpharma.com</a>	<b>Ben Rogers</b> Company Secretary +61 3 8532 2702 <a href="mailto:ben.rogers@starpharma.com">ben.rogers@starpharma.com</a>

## Appendix 4C



**Quarterly report  
for entities admitted  
on the basis of commitments**

Name of entity

Starpharma Holdings Limited

ABN

20 078 532 180

Quarter ended ("current quarter")

31 March 2006

**Consolidated statement of cash flows****Cash flows related to operating activities**

	Current quarter \$A'000	Year to Date \$A'000
1.1 Receipts from customers	623	1,586
1.2 Payments for		
(a) staff costs	(1,090)	(2,857)
(b) advertising and marketing	-	-
(c) research and development	(1,472)	(5,556)
(d) leased assets	(22)	(45)
(e) other working capital	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	219	368
1.5 Interest and other costs of finance paid	(12)	(12)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(1,754)</b>	<b>(6,516)</b>

**Cash flows related to investing activities**

1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	21
(d) physical non-current assets	(376)	(412)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	8
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
<b>Net investing cash flows</b>	<b>(376)</b>	<b>(383)</b>
1.14 <b>Total operating and investing cash flows</b>	<b>(2,130)</b>	<b>(6,899)</b>

**Cash flows related to financing activities**

1.15	Proceeds from issues of shares	2,079	14,990
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other: - Share Issue Costs	(31)	(810)
	<b>Net financing cash flows</b>	<b>2,048</b>	<b>14,180</b>
	<b>Net increase (decrease) in cash held</b>	<b>(82)</b>	<b>7,281</b>
1.21	Cash at beginning of quarter/year to date	15,529	8,166
1.22	Exchange rate adjustments		
1.23	<b>Cash at end of quarter</b>	<b>15,447</b>	<b>15,447</b>

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(83)
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Item 1.24 consists of the following:

Remuneration paid to the Chief Executive Officer.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

A \$481,878 lease facility with National Australia Bank for the lease of laboratory equipment, which is guaranteed by term deposit.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

### Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities - Lease facility for laboratory equipment	482	482
3.2 Credit standby arrangements - Credit card facility	140	32

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,429	9,179
4.2 Deposits at call	14,018	6,351
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>15,447</b>	<b>15,529</b>

### Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

### Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.



.....Date: 27 April 2006

B P Rogers  
Company Secretary