



Starpharma to Acquire Dendritic Nanotechnologies, Inc.

Melbourne, Australia, 4 October 2006 – Starpharma Holdings Limited (ASX:SPL, USOTC:SPHRY) today announced the signing of an agreement to acquire US-based Dendritic Nanotechnologies, Inc. (DNT) for US\$6.97m (A\$9.36m) through the issue of Starpharma shares. This attractively priced transaction offers significant benefits to Starpharma including:

- the provision of diversified product pipeline with near-term cash-flow opportunities, and a more balanced risk profile;
- an increased US presence;
- The Dow Chemical Company will become a substantial shareholder in Starpharma (approximately 8.6%);
- significant development, commercialisation and other business synergies; and
- an extensive IP portfolio with existing royalty streams.

Starpharma currently owns 33% of DNT and The Dow Chemical Company is the other major shareholder with a 30% equity stake. DNT will become a wholly owned operating subsidiary of Starpharma Holdings Limited and remain a U.S. corporation based in Mount Pleasant, Michigan. The transaction is subject to DNT shareholder approval, which is anticipated to be obtained in the next two weeks.

“The acquisition of DNT is an extremely positive development for Starpharma” said Starpharma CEO, Dr. Jackie Fairley. “DNT has exciting new intellectual property in its Priostar™ dendrimers, with existing royalty streams in place from leading life-science companies. We believe that the combined entity is ideally placed to capitalise on the significant commercial opportunities for the technology. This will give Starpharma the opportunity to commercialise dendrimer technology not only in the pharmaceutical sector but also in other nearer-term life-science and industrial applications.”

Starpharma anticipates the following key benefits from the transaction:

1. *The provision of diversified product pipeline with near-term cash-flow opportunities, and a more balanced risk profile*

Starpharma's expanded product pipeline post-transaction will include drug delivery and industrial specialty chemical applications, offering revenue diversification opportunities over and above its existing product portfolio. Starpharma gains ownership of a new family of scalable, precision dendrimer nanostructures pioneered by DNT, called Priostar™. The Priostar™ dendrimers address industry needs for nanostructures to be manufactured in industrial volumes with a low cost-base. Priostar™ dendrimers, together with Starpharma's existing polylysine dendrimers, allow Starpharma to commercially exploit opportunities in a broad range of industries, from high margin pharmaceutical goods, to larger volume industrial applications.

The combined entity will focus on closing a number of potentially valuable commercial opportunities currently under discussion. Starpharma will also benefit from DNT's royalty streams from existing contracts with leading life-science companies. DNT's revenues from royalties and product sales were approximately A\$1.25m in 2005.

2. Increased US presence

Prior to the transaction almost 10% of Starpharma's issued capital was held by US investors through the company's highly successful American Depositary Receipts (ADR) program. The DNT acquisition will increase the presence and profile of Starpharma in the United States, improving access to partners and capital markets. Starpharma also plans to appoint two new directors with North American corporate and capital markets experience to its Board. DNT's CEO, Dr. Robert Berry will remain with the company in charge of the U.S. subsidiary. Dr. Donald Tomalia, DNT's Chief Scientific Officer and the inventor of dendrimers will remain with the company to continue the development of the technology.

3. Attractively priced transaction

Starpharma is acquiring DNT at an attractive valuation by issuing existing DNT shareholders with equity in Starpharma, subject to various escrow provisions. This arrangement provides Starpharma shareholders with exposure to a broader range of revenue-generating opportunities at minimal dilution and allows DNT shareholders to continue sharing in the upside of the DNT portfolio through Starpharma's capital growth. Benefits to DNT include direct access to Starpharma's nano-pharmaceutical development and regulatory expertise, economies of scale and access to public market funding.

4. The Dow Chemical Company becomes a substantial shareholder in Starpharma

The acquisition will result in The Dow Chemical Company becoming a substantial shareholder in Starpharma. As part of the deal, Dow has agreed to enter into a tiered escrow arrangement over a 3-year period and has been granted the right to participate in any future capital raisings on a pro-rata basis during the escrow period.

5. Significant development, commercialisation and other business synergies

Development synergies for DNT and Starpharma will result from combining commercialisation efforts of the companies' respective product platforms, technology development expertise, IP portfolios and commercial leads and business opportunities. Starpharma was the first company in the world to have an Investigational New Drug (IND) application allowed by the U.S. Food and Drug Administration for a dendrimer-based pharmaceutical product, and works closely with the FDA's Nanotechnology Working Group. DNT also has developed a productive working relationship with the FDA. This expertise will be very beneficial in the commercial exploitation of the company's dendrimer portfolio for both pharmaceutical and other life-science applications.

6. Extensive IP portfolio with existing royalty streams

DNT currently owns the world's largest patent portfolio in the field of dendrimers as a result of the assignment to DNT of the Dow dendrimer patent portfolio and associated licenses in 2005. Following this acquisition Starpharma will benefit from DNT's royalty bearing agreements and will own a comprehensive IP portfolio that covers a broad spectrum of potential commercial applications for dendrimers. These will provide the company with a significant competitive advantage in the rapidly developing nanotechnology sector.

Transaction Details

Starpharma is to acquire the remaining 67% of DNT to increase its equity interest to 100%, through the offer of ordinary shares in Starpharma for a value of US\$6.97 million. Post-transaction Dow will hold approximately 8.6% of Starpharma. The issue to DNT shareholders has been determined based on a VWAP (Volume Weighted Average Price) of Starpharma shares traded during the 5 trading days up to and including Monday October 2, 2006. The total number of Starpharma shares to be issued is 20.097 million. This represents approximately 13.6% of the issued capital of the company. These shares will rank equally in all respects with existing shares on issue. Shares issued as part of this transaction will be

subject to varying escrow arrangements of up to 3 years. Starpharma has also agreed a royalty arrangement with Dow for a proportion of existing DNT royalty streams for up to five years, providing Dow maintains its shareholding in Starpharma.

Completion Process and Timetable

Starpharma anticipates that the transaction will be completed within the next two weeks following approval from the DNT shareholders. Starpharma and Dow hold between them a majority of each class of DNT shares.

About DNT

Dendritic Nanotechnologies, Inc. (DNT) is committed to the development and commercialisation of new proprietary Priostar™ dendrimer technology to create innovative products with its business partners. DNT was incorporated in 2003, is a U.S. company with 16 employees, and is located in Mount Pleasant, Michigan. DNT's Chief Scientific Officer is Donald A. Tomalia, Ph.D., the inventor of dendrimers. DNT has a broad and comprehensive IP portfolio that comprises approximately 180 patents/applications issued and pending, comprising 32 case families—a unique level of IP concentration among nanotechnology companies—and has existing licensing agreements with established revenue streams for dendrimer technology.

DNT sells and licenses more than 200 of its dendrimer products to scientific innovators in academia, government and private institutions. DNT's revenues from royalties and product sales were approximately A\$1.25m in 2005.

DNT also has an active development portfolio including:

- Targeted Ovarian Cancer Diagnostic and Delivery technology based on Priostar™ dendrimers
- Transfection reagents for siRNA
- Specialty chemical applications

DNT has developed a new family of dendrimers called Priostar™. This proprietary technology allows the company to develop a broad range of commercial applications that were previously not economically viable. The Priostar™ family of dendrimers serves as a major nanostructure platform with broad commercial applicability. These dendrimers are expected to find value in the industrial sector as they will help develop new products and improve existing technologies for applications such as surface coatings, sensors, surfactants, binders, antimicrobials, lotions, cosmetics, pigments, dyes, ion exchange media, and ultrafiltration. Last year, Frost & Sullivan awarded DNT the "Advanced Medical Applications Technology of the Year" Award for its work in developing and commercialising the Priostar™ family of dendrimers.

About Starpharma

Starpharma Holdings Limited (ASX:SPL, USOTC:SPHRY) leads the world in the application of dendrimer-based nanotechnology to pharmaceuticals. The Company's lead development product 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).

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.

Dendrimers

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

Media

Rebecca Wilson

Buchan Consulting

T: +61 2 9237 2800

M: +61 417 382 391

rwilson@bcg.com.au

Starpharma

Dr Jackie Fairley

Chief Executive Officer

T: +61 3 8532 2704

Ben Rogers

Company Secretary

T: +61 3 8532 2702

ben.rogers@starpharma.com

www.starpharma.com

Dendritic Nanotechnologies, Inc

Dr Robert Berry

Chief Executive Officer

T: +1 989.774.1799

berry@dnanotech.com

www.dnanotech.com.