

Starpharma Holdings Ltd

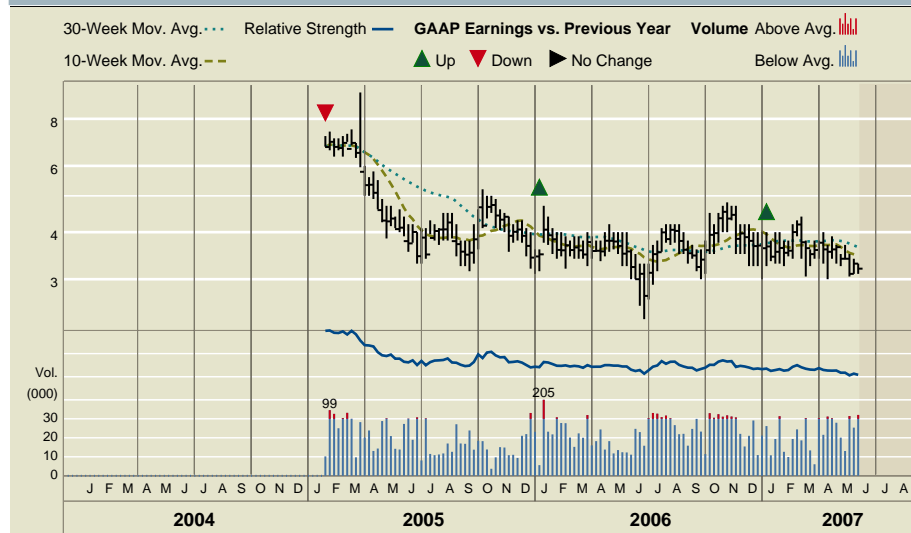
GICS Sector Health Care
Sub-Industry Pharmaceuticals

Summary This company develops dendrimer nanotechnology for pharmaceutical, life science and other applications. The company, based in Australia, also has operations in the U.S.

Key Stock Statistics (Source S&P, company reports, Vickers)

Price as of Jun 1, 2007	\$3.20	Dividend Rate/Share	Nil	\$10K Invested 5 Yrs Ago	NA	Total Shares Outstg. (M)	167.8
52-Wk Range	\$4.40-3.00	Trailing 12-Month P/E	NM	Beta	3.05	Market Capitalization(B)	\$0.054
Trailing 12-Month EPS	\$-0.44	Tangible Book Val/Share	NM	Yield (%)	Nil	Institutional Ownership (%)	NA

Price Performance



Quantitative Evaluations

S&P Quality Ranking	NR
D C B- B B+ A- A A+	
S&P Fair Value Rank	NR
1 2 3 4 5	LOWEST HIGHEST
Fair Value Calculation	NA
Insider Activity	NA
UNFAVORABLE NEUTRAL FAVORABLE	
Volatility	NA
Technical Evaluation	NA
Relative Strength Rank	WEAK
13	LOWEST = 1 HIGHEST = 99

S&P Analyst **Fred Rassi**

Operational Review April 25, 2007

Income Statement Analysis & Financial Review

Revenues for the six months ended December 31, 2006, were A\$0.6 million, vs. A\$0.2 million in the prior-year period. Research & development expenses were A\$6 million, vs. A\$5 million a year earlier, increasing 20%. Selling, general & administrative expenses rose 53%. The pretax and net loss narrowed to A\$3.9 million (\$0.20 per ADS), from A\$4.1 million (\$0.26).

Key Operating Information

On September, 29, 2006, the company's U.S. subsidiary, Dendritic Nanotechnologies, Inc. (DNT), entered into a A\$1.1 million Small Business Innovation Research contract with the National Cancer Institute. The project will use DNT's Priostar dendrimers to develop a new generation of targeted diagnostic and therapeutic delivery technology for the early detection and treatment of epithelial ovarian cancer.

Recent Developments

On February 13, 2007, the company signed an agreement with the U.S. National Institutes of Health (NIH) to provide funding of a further clinical trial of VivaGel in addition to the previously announced A\$26 million development funding.

On December 1, 2006, SPHY announced the ap-

pointment of Richard Hazleton, retired Dow Corning chairman, as a director. According to CEO Dr. Jackie Fairley, Mr. Hazleton's appointment is of major significance and will assist in the company's expansion to the U.S.

On October 23, 2006, SPHY acquired the remaining 67% of DNT, which increased the company's equity interest to 100% through the issue of approximately 20 million shares. DNT became a wholly owned operating subsidiary of the company. SPHY directors perceived the benefits of the acquisition to be the provision of a diversified product pipeline with near-term cash flow opportunities and a more balanced risk profile, an increased U.S. presence and Dow Chemical Co. becoming a substantial shareholder, owning approximately 8.6% of Starpharma's shares.

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2007	--	0.43	--	--	--
2006	--	0.13	--	--	0.44
2005	--	0.63	--	--	1.56
2004	--	0.58	--	--	0.97
2003	--	--	--	--	1.02
2002	--	--	--	--	0.75

Earnings Per ADS (\$)	1Q	2Q	3Q	4Q	Year
2007	--	-0.20	--	--	--
2006	--	-0.27	--	--	-0.44
2005	--	-0.31	--	--	-0.52
2004	--	-0.19	--	--	-0.38
2003	--	--	--	--	-0.58
2002	--	--	--	--	-0.48

Fiscal year ended Jun. 30. Next earnings report expected: Late August

Dividend Data

No cash dividends have been paid.

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Starpharma Holdings Ltd

Business Summary April 25, 2007

Starpharma Holdings Ltd. (SPHRY) develops dendrimer nanotechnology for pharmaceutical, life science and other applications. Starpharma is principally composed of two operating companies, Starpharma Pty Ltd in Melbourne, Australia and Dendritic Nanotechnologies, Inc. (DNT) in Michigan. Products based on Starpharma's dendrimer technology are on the market in the form of diagnostic elements and laboratory reagents.

The company's lead development candidates are based on dendrimer nanotechnology. Dendrimers are man-made, nano-sized compounds with unique properties that make them useful to the health and pharmaceutical industry as both enhancements to existing products and as products that are entirely new.

SPHRY's lead pharmaceutical development product is VivaGel (SPL7013 Gel), a vaginal microbicide designed to prevent the transmission of sexually transmitted infections, including HIV and genital herpes. In February 2007, VivaGel was undergoing human expanded safety trials in Melbourne, Australia; San Francisco; and Kisumu, Kenya.

Starpharma's proprietary dendrimer platform, which includes the company's Priostar dendrimer technologies, also has potential in targeted diagnostics and in drug delivery for a wide variety of drugs. Improvements including enhanced solubility, targeting, and reduced toxicity have been demonstrated for a number of existing drugs. More broadly, the company, via Dendritic Nanotechnologies, is actively exploring dendrimer opportunities in materials science with applications as diverse as adhesives, lubricants and water remediation. Starpharma has a comprehensive IP portfolio that comprises more than 180 patents/applications issued and pending across 32 patent families.

On October 23, 2006, Starpharma acquired Dendritic Nanotechnologies, Inc., which provides innovative dendrimer technologies and commercialization services with its new proprietary Priostar dendrimer technologies. With the acquisition of Dendritic Nanotechnologies, the company gained access to PrioFect, a new application of dendrimer technology.

PrioFect transfection agent is a research reagent that improves the ability of scientists to introduce genetic material into cells. One of its important applications is in the transfection of small interfering RNA (siRNA) into cells. RNA interference is an emerging technology which provides entirely novel approaches to creating therapies. For example, in certain illnesses the wrong proteins are produced at the wrong time, and siRNA can switch off these pathological proteins and thereby treat disease.

Corporate Information

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Officers

Chrmn

P.T. Bartels

CEO

J.K. Fairley

Cntrl

N. Baade

Board of Directors

P. T. Bartels

P. M. Colman

R. Dobinson

J. K. Fairley

L. Gorr

R. A. Hazleton

P. J. Jenkins

J. W. Raff

Domicile

Australia

Auditor

PricewaterhouseCoopers, Melbourne, Australia

Founded

1997

Employees

48

Stockholders

0

Starpharma Holdings Ltd

Key Stock Statistics

Price as of Jun 1, 2007	\$3.20	Dividend Rate/Share	Nil	\$10K Invested 5 Yrs Ago	NA	Total Shares Outstg. (M)	167.8
52-Wk Range	\$4.40-3.00	Trailing 12-Month P/E	NM	Beta	3.05	Market Capitalization(B)	\$0.054
Trailing 12-Month EPS	\$-0.44	Tangible Book Val/Share	NM	Yield (%)	Nil	Institutional Ownership (%)	NA

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-72.08	-22.31	NA	NA
Net Income	NM	NM	NA	NA

Ratio Analysis (Annual Avg.)

Net Margin (%)	NM	NM	NM	NA
LTD of Capitalization (%)	1.46	1.01	1.04	NA
Return on Equity (%)	NM	NM	NM	NA

Company Financials

Per ADS Data (\$) Year Ended Jun. 30	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Tangible Book Value	0.87	0.68	1.11	0.70	1.08	NA	NA	NA	NA	NA
Cash Flow	-0.37	-0.06	-0.34	-0.46	-0.48	NA	NA	NA	NA	NA
Earnings	-0.44	-0.52	-0.38	-0.58	-0.48	NA	NA	NA	NA	NA
Dividends	Nil	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA
Payout Ratio	Nil	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA
Prices:High	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Prices:Low	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
P/E Ratio:High	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
P/E Ratio:Low	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Income Statement Analysis (Million Australian \$)

Revenue	0.57	2.05	1.39	1.51	1.33	NA	NA	NA	NA	NA
Operating Income	-12.3	-7.65	-5.26	-6.69	-7.79	NA	NA	NA	NA	NA
Depreciation	0.97	0.69	0.60	0.60	0.17	NA	NA	NA	NA	NA
Interest Expense	0.02	0.01	0.01	0.01	Nil	NA	NA	NA	NA	NA
Pretax Income	-7.52	-7.59	-5.50	-7.54	-7.96	NA	NA	NA	NA	NA
Effective Tax Rate	Nil	NM	Nil	Nil	Nil	NA	NA	NA	NA	NA
Net Income	-7.52	-7.59	-5.50	-7.54	-7.96	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million Australian \$)

Cash	14.3	8.17	15.7	7.89	17.4	NA	NA	NA	NA	NA
Current Assets	17.1	8.35	16.2	8.46	17.8	NA	NA	NA	NA	NA
Total Assets	25.0	12.5	18.5	10.7	18.9	NA	NA	NA	NA	NA
Current Liabilities	3.03	2.37	0.75	1.27	1.59	NA	NA	NA	NA	NA
Long Term Debt	0.32	0.08	0.14	0.20	Nil	NA	NA	NA	NA	NA
Common Equity	21.3	9.97	17.6	9.24	17.0	NA	NA	NA	NA	NA
Total Capital	21.6	10.0	17.7	9.26	17.3	NA	NA	NA	NA	NA
Capital Expenditures	0.46	0.41	0.15	1.61	0.88	NA	NA	NA	NA	NA
Cash Flow	-6.56	-6.89	-4.90	-6.04	-7.79	NA	NA	NA	NA	NA
Current Ratio	5.6	3.5	21.6	6.7	11.2	NA	NA	NA	NA	NA
% Long Term Debt of Capitalization	1.5	0.8	0.8	2.2	Nil	NA	NA	NA	NA	NA
% Net Income of Revenue	NM	NM	NM	NM	NM	NA	NA	NA	NA	NA
% Return on Assets	NM	NM	NM	NM	NM	NA	NA	NA	NA	NA
% Return on Equity	NM	NM	NM	NM	NM	NA	NA	NA	NA	NA

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Starpharma Holdings Ltd

Sub-Industry Outlook

Our fundamental outlook for the S&P Pharmaceuticals Index is positive. Most major drug companies posted better than expected first quarter profits, and many raised full year EPS guidance. We attribute the strong results to new Medicare business, price increases, better foreign exchange and cost streamlining measures. EPS of many companies are also benefiting from common share buyback programs. We think investors will probably continue to favor this sector, given what we see as its recession resistant characteristics and anticipated positive EPS momentum over the coming quarters.

Key positive drivers, in our view, include improved new product flow and cost streamlining measures. We expect that the number of new molecular entities (NMEs) to be approved in 2007 will be comparable to 2006's 18. We also think many drug stocks offer attractive P/E's and dividend yields. Our recommendations comprise what we see as attractively valued companies with above-average total return potential.

Despite near-term uncertainties over pricing and patent expirations, we think pharmaceuticals remains one of the healthiest and widest-margin U.S. industries. We see longer-term prospects being enhanced by demographic growth in the elderly (which account for about 33% of industry sales) and by new therapeutic products from discoveries in genomics and biotechnology. In our view, merger cost savings and synergies should also bolster profits at many companies.

Year to date through May 18, 2007, the S&P Pharmaceuticals Index was up 9.7%, versus a 7.7% increase in the S&P 1500. We see prospects for the generic/specialty pharmaceutical segment remaining favorable. We see a large number of

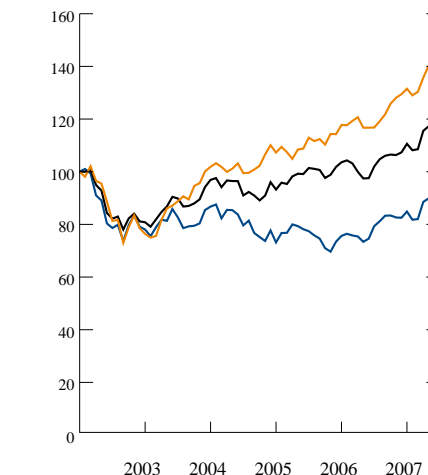
blockbuster drugs losing patent protection over the next few years providing significant opportunities for this sector. We also think the new Medicare drug plan will be especially beneficial to generic firms. We favor companies with rich generic pipelines, especially with first-to-file generics with the potential for 180 days of marketing exclusivity, and competence in litigating complex patent issues.

--Herman B. Saftlas

Stock Performance

GICS Sector: Health Care
Sub-Industry: Pharmaceuticals

Based on S&P 1500 Indexes
Month-end Price Performance as of 05/31/07



Sub-Industry Sector S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Pharmaceuticals Peer Group*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price	P/E Ratio	12-Mo. Trailing EPS	30-Day Price Chg(%)	1 Year Price Chg(%)	Beta	Yield (%)	Quality Ranking	Ret. on Equity (%)	Pretax Margin (%)	LTD to Cap (%)
Starpharma Hldgs ADS	SPHR	54	3.20	NM	-0.44	-6%	-5%	NM	Nil	NR	NM	NM	1.5
Advanced Viral Research	ADVR	42	0.06	NM	-0.01	71%	-18%	0.42	Nil	C	NM	NM	Nil
Aeolus Pharmaceuticals	AOLS	25	0.85	NM	-0.23	-19%	42%	NM	Nil	C	NM	NM	Nil
Amarin Corp. plc	AMRN	46	0.60	NM	-0.33	-13%	-73%	2.60	Nil	NR	NM	NM	Nil
Ardea Biosciences Inc	ARDC	57	6.05	NM	-0.42	10%	77%	1.36	Nil	NR	NM	NM	Nil
Corcept Therapeutics	CORT	53	1.52	NM	-1.09	0%	-68%	0.04	Nil	NR	NM	NM	0.2
Dragon Pharmaceuticals	DRUG	28	0.45	8	0.06	18%	-24%	1.12	Nil	NR	0.7	1.3	30.8
Elite Pharmaceuticals	ELI	49	2.37	NM	-0.67	5%	5%	1.63	Nil	NR	NM	NM	28.9
Neuro-Hitech Inc	NHPI	65	6.90	NM	-0.35	3%	-6%	NA	Nil	NR	NM	NM	Nil
Novadel Pharma	NVD	76	1.28	NM	NA	-3%	-17%	0.94	Nil	NR	NM	NM	0.6
Nuvo Research	NRI.C	36	0.21	NM	-0.12	-5%	-51%	NA	Nil	NR	NM	NM	121.8
Oculus Innovative Sciences	OCLS	86	7.30	NM	NA	16%	NA	NA	Nil	NR	NM	NM	NA
Osteologix Inc	OLGX	21	0.98	NM	-0.29	3%	NA	NA	Nil	NR	NM	NM	NA
PacificHealth Laboratories	PHLI	27	2.05	NM	-0.07	2%	21%	1.26	Nil	C	126.7	57.1	Nil
Westaim Corp.	WEDX	59	0.63	NM	-0.18	-18%	-88%	1.33	Nil	NR	NM	NM	Nil

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Starpharma Holdings Ltd

Glossary

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following:

- 5-Stock is significantly undervalued
- 4-Stock is moderately undervalued
- 3-Stock is fairly valued
- 2-Stock is modestly overvalued
- 1-Stock is significantly overvalued

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.