

Shareholder Update: September 2007

- > Welcome to this edition of Starpharma's investor update, a periodic newsletter designed to keep shareholders up to date with recent developments.
- > This issue provides an update on our financial results for 2006/07, the status of our growing US investment supporter base, and the commencement of an important VivaGel™ development agreement with a leading condom manufacturer. We also feature an article on the Priostar™ technology.

Financial report

A snapshot of financial results 2006/07

This is our first reported annual result that includes the wholly owned US subsidiary DNT which was acquired on 20th October 2006. Prior to that date DNT was a 33% held associate of the group.

The net loss for the 12 months to June 2007 was A\$7.2 million, down from A\$7.5 million for the previous year.

Cash burn for the 12 months was A\$4.2 million, resulting in cash on hand at the end of the period of A\$10.1 million.

Significant increase in revenue and grant income

Starpharma's revenue and other income increased significantly over the period, with the company receiving A\$9.6 million.

Revenue from ordinary activities increased by 156% to A\$1.5 million over the period, consisting of royalty and licensing revenue of A\$0.9 million from DNT (since acquisition date), and interest revenue of A\$0.6 million for the group.

Grant income increased by more than A\$1.7 million for the period to A\$8.1 million.

Government grants are a valuable source of funding for Starpharma as the money is non-dilutive to shareholders' equity and has no negative impact on the commercial returns that the company will receive from VivaGel™ and our other projects.

The two main sources of grant income came from funding provided by the US Government National Institutes of Health (NIH) which includes the US National Cancer Institute (NCI), and the Australian Government's Pharmaceuticals Partnerships program (P3).

The NIH has committed in excess of A\$26 million for the development of VivaGel™ for the prevention of HIV infection and also committed an undisclosed sum for the clinical development of VivaGel™ for genital herpes.

US Institution Platinum Partners LLC invests in Starpharma

On 21st August 2007 we announced a AU\$2.8 million investment by Platinum Partners LLC, a large US-based institution. Following from this significant investment, a key existing institutional shareholder invested a further AU\$1.0 million on the same terms, bringing the total placement to AU\$3.8 million.

The proceeds of the placement will principally be used to support the further development and commercialisation of Starpharma's dendrimer programs, in particular drug delivery, the PrioFect™ siRNA delivery technology and the condom coating line-extension of VivaGel™.

Dr Jackie Fairley, CEO of Starpharma said: "We are delighted to have a fund of Platinum's size and calibre on Starpharma's register. We consider this investment and the additional investment from an existing Australian institution to be recognition of the significant commercial opportunities for our products globally and an increasing awareness of Starpharma's potential amongst US investors."

"This investment strengthens our capital structure and opens up further opportunities for us in the US market," Dr Fairley added.

Following this investment Starpharma's US institutional holding is increased to 13% and total US shareholding is approaching 25%.

Financial Snapshot (30 June 2007)

Revenue from ordinary activities	Up 156% to A\$1,462,771
Revenue from other income	Up 26% to A\$8,090,536
Loss from ordinary activities	Down 4% to (A\$7,244,996)
Cash at hand	Down 29% to A\$10,072,893*

*Prior to August 2007 capital raising

First Condom Coating Deal for VivaGel™

As an indicator of progress in the commercialisation of VivaGel™, Starpharma signed an agreement in July with a leading condom company for the evaluation and development of SPL7013 as a condom coating agent.

The agreement also includes commercialisation rights in relation to condoms with VivaGel™ coatings in a specified geographical region, in which the condom manufacturer (which cannot be named for reasons of confidentiality) holds the leading market position. We are optimistic that this will be followed by one or more additional commercial deals for this application of SPL7103.

Condoms constitute a multi billion-dollar market (US\$3.2 billion in 2006) with a compound annual growth rate of about 5.7% and predictions that the global market will reach about US\$3.9 billion by 2010¹.

A number of factors have contributed to the emergence of the condom coating opportunity. There is a demand, recognised by condom manufacturers, for a premium condom with added protection. In the past, a detergent called nonoxyl-9 (N-9) has been used as a condom coating due to its spermicidal activity. However, recent research has shown that the use of N-9 is associated with increased risk of infection by HIV and the human papilloma virus, possibly due to N-9 having non-specific cytotoxic effects and disrupting epithelial cell membranes, making them more susceptible to infection.

VivaGel™ has a clear advantage over N-9 and other surfactants because it acts by a completely different, receptor-mediated mechanism. It does not have non-specific cytotoxic activity, is not a detergent and does not disrupt cell membranes as detergents do. Instead, the active nanoparticle of VivaGel™, the dendrimer SPL7013, binds to viral particles and prevents them from entering human cells. While VivaGel™ is under development to prevent infection by HIV or genital herpes virus, it may also be effective against other infectious agents that are sexually transmitted.

Animal studies have also provided strong evidence that SPL7013 has potent contraceptive action. This finding, together with its excellent safety profile and antiviral activity, make SPL7013 highly attractive as a condom coating. This line extension is additional to its development as the stand-alone, applicator-delivered vaginal microbicide, VivaGel™.

¹ Global Industry Analysts, Inc, Condoms – a global strategic business report 03/05

Presentation of data from trial of VivaGel™ in men

Starpharma presented positive results of a clinical study of VivaGel™ in men at the 4th International AIDS Society (IAS) Conference, held in Sydney in July 2007. Participants at the conference heard that VivaGel™ was well tolerated and safe, and as found in previous clinical trials in women, showed no evidence that the active ingredient of VivaGel™, SPL7013, was absorbed into the blood after topical application.

The trial was conducted at the Melbourne Sexual Health Centre in collaboration with the Burnet Institute and the National Centre in HIV Epidemiology and Clinical Research. It was funded through the US National Institutes of Health (NIH), National Institute of Allergy and Infectious Diseases.

A total of 36 men were enrolled in the trial, of whom 24 applied VivaGel™ containing 3% SPL7013 to their penis daily for seven days, and 12 applied a placebo gel. The trial was double-blinded in that neither the men nor the researchers knew who received the active gel.

This was the first time that the company had presented results of a VivaGel™ clinical trial at an international meeting of this calibre.

Appointment of Key Pharma Executive as Scientific Advisor

Dr Kim Wright, recently retired senior vice president of medicinal chemistry and preclinical development at ChemoCentryx Inc., has been appointed as a scientific advisor to Starpharma's development and discovery programs.

An organic chemist, Dr Wright brings to Starpharma 20 years of experience in the pharmaceutical industry. He joined ChemoCentryx after having spent 17 years with Bristol-Myers Squibb Company (BMS), where he was a vice president of medicinal chemistry, managing about 150 medicinal chemists. In his role at BMS, he was responsible for chemistry programs in infectious diseases, cancer and inflammation, as well as the company's Discovery Analytical Sciences department.

Jackie Fairley, CEO said: "We are delighted to have Dr Wright's extensive pharmaceutical industry experience, which we believe will bring substantial benefit to the company's VivaGel™, drug delivery and other dendrimer programs.

About Priostar™ technology

Priostar™ is a dendrimer platform technology developed by Starpharma's wholly owned US subsidiary, Dendritic Nanotechnologies Inc. (DNT).

Ownership of DNT's portfolio of industrial applications of Priostar™ technology has greatly expanded the commercial opportunities open to Starpharma not only in pharmaceutical and life sciences but also in other less regulated industries. It also brings several existing royalty bearing licences on its dendrimer patents.

As an indication of the breadth of those opportunities, Starpharma's US commercial team are in discussion with manufacturers of research reagents and a large European cosmetics manufacturer in addition to pharmaceutical companies. The applications under discussion have multi-billion markets in the US and Europe and an aggregated market of more than US\$25 billion.

One application of Priostar™ technology with immediate commercial benefits and opportunities for Starpharma is PrioFect™, a dendrimer-based product for carrying genetic material, such as DNA and small inhibitory (si) RNA into cells by a process called 'transfection' (Fig. 1). Researchers use transfection widely in the laboratory to increase or decrease gene expression in a variety of cell types in order to study gene function.

The application of siRNA to reduce the production of deleterious proteins in disease states has been identified by the pharmaceutical industry as an area of huge potential. In recent months, three of the top 10 Pharma companies have completed significant acquisition deals in siRNA.

In February Starpharma signed a global license and supply deal with EMD Biosciences, part of Merck KGaA's Performance and Life Science Chemicals division, for the supply of PrioFect™ transfection reagents for the US\$200 million DNA, siRNA and nucleic acid research markets. The size of PrioFect™ dendrimers can be varied, enabling EMD to offer researchers siRNA transfection reagents optimised for individual cell lines.

Priostar™ technology has improved the properties of dendrimers yet decreased the cost of their synthesis. Priostar™ dendrimers can be manufactured efficiently and cost-effectively to give highly stable particles that survive wide-ranging temperatures and pH values.

Starpharma's DNT, in collaboration with Central Michigan University Research Corporation has also recently been awarded a US\$1.3M contract under the US Department of Defense's Strategic Environmental Research and Development Program to develop Priostar™ dendrimers for the removal of toxic chemicals from groundwater, to give more pure, uncontaminated water.

DNT recently assisted Oncologix Tech, Inc. resolve leaching issues with their Oncosphere product. The Oncosphere product is being developed as a novel microsphere technology for the treatment of soft tissue cancers. The key Oncosphere design changes to solve the leaching problem included surface chemistry modifications to the microsphere and inclusion of DNT's new proprietary Priostar™ dendrimers into the Oncosphere design. DNT also provided chemical development and manufacturing assistance in the redesign of the Oncosphere product.

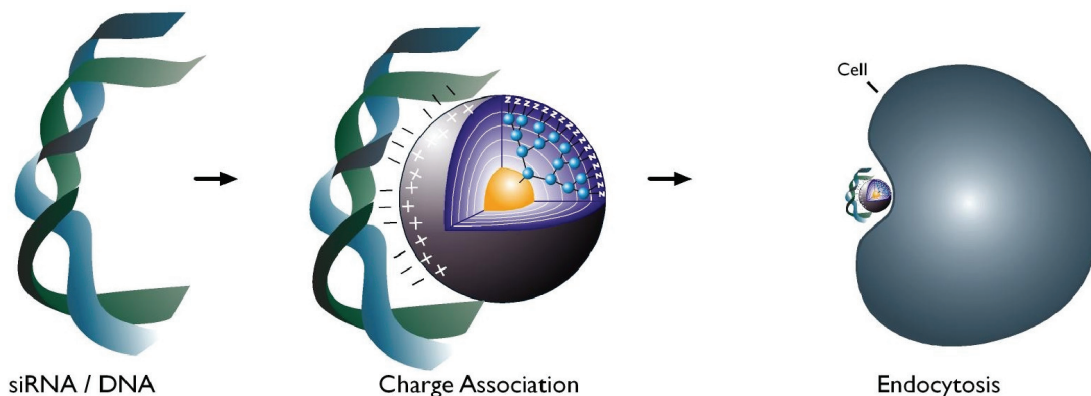


Figure 1. PrioFect™-based transfection of DNA or siRNA. The dendrimer with positive charge on its surface binds to the negative charges on the siRNA or DNA. The complex then approaches the surface of the cell and is taken up by endocytosis when the plasma membrane of the cell surrounds the dendrimer-DNA complex and engulfs it.

Annual report on the Web

The Australian Government recently introduced legislation allowing the default option for receiving annual reports to be via a company's website. This provides the opportunity for shareholders to access timely, cost effective and greener online reports.

Starpharma has written to all shareholders setting out the annual report options and providing the opportunity to opt in to continue to receive a hard copy of the annual report by mail. The design and format of future annual reports will be more Web friendly.

Merriman Curhan Ford & Co initiates coverage of Starpharma with a 'Buy' rating

San Francisco based Merriman Curhan Ford (MCF) & Co has produced an analyst report on Starpharma Holdings Ltd (OTCQX:SPHRY), having initiated coverage of the company in June. With the ADR* stock at US\$3.40 at the time the report was prepared, MCF & Co indicated that it believed that SPHRY ADRs could trade to US\$4.50–6.00 within the year, based on the positive data from VivaGel™'s two clinical trials, the company's potential condom-coating partnership and the launch of PrioFect™ dendrimers. The report stated 'Starpharma should provide upside for investors', and gave the stock a 'Buy' rating.

MCF & Co highlighted the versatility and commercial potential of Starpharma's core dendrimer technology for use in the medical, chemical and materials industries, and the company's activities in progressing dendrimer development in the new areas of drug delivery, research reagents for transfection, contrast agents for imaging and other industrial applications.

The report identified the potential of topical microbicides as a valuable tool to fight the spread of both HIV and genital herpes virus (HSV-2), pointing out that about 1 million people each year in the US become infected with HSV-2.

An abridged version of the MCF& Co report is available at www.starpharma.com, together with contact details for MCF & Co for investors who would like to request the full report.

Refer also to the Starpharma website for the latest report from Bioshares, a highly respected Australian specialist analyst publication for the Life Science industry.

*Each ADR represents 10 Ordinary Shares as traded on the ASX.

About Starpharma

Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY) is a world leader in the development of dendrimer nanotechnology for pharmaceutical, life science and other applications. SPL is principally composed of two operating companies, Starpharma Pty Ltd in Melbourne, Australia and Dendritic Nanotechnologies, Inc in Michigan, USA.

Products based on SPL's dendrimer technology are already on the market as diagnostic elements and laboratory reagents.

The company's lead pharmaceutical product is VivaGel™ (SPL7013 Gel), a vaginal microbicide designed to prevent the transmission of sexually transmitted infections, including HIV and genital herpes.

Further information

www.starpharma.com

Company:

Dr Jackie Fairley, CEO
E: jackie.fairley@starpharma.com
T: +61 3 8532 2704

Ben Rogers, Company Secretary
E: ben.rogers@starpharma.com
T: +61 3 8532 2702

Media Relations:

Rebecca Wilson
E: rwilson@bcg.com.au
T: +61 2 9237 2800

