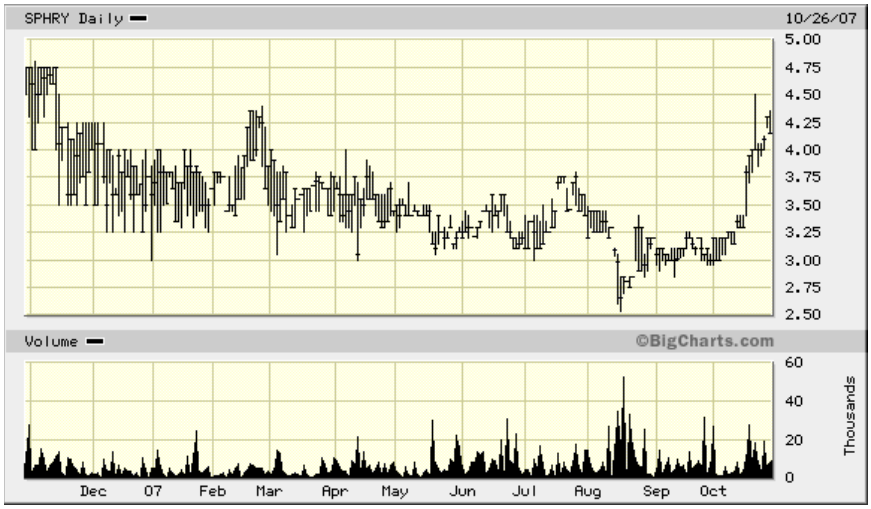
STARPHARMA HOLDINGS LTD.

We are maintaining our rating of SPECULATIVE BUY for Starpharma's SPHRY. Starpharma's lead dendrimer product, VivaGel™, addresses markets with huge potentials.

Starpharma's VivaGel stands at the forefront of the global HIV/AIDS prevention strategies. VivaGel, is now at the threshold of commercialization.



Source: www.BigCharts.com

UPDATE REPORT
October 26, 2007

ANALYST:
Mohammad Sharifzadeh
PhD, CFA

SPHRY : OTCQX

SPL: ASX

INDUSTRY:
PHARMACEUTICAL

RATING: SPECULATIVE BUY

STARPHARMA'S FACTS

Recent Price
SPHRY: US$3.25
SPL: A$0.360

SPL Shares O/S
179.7 mil.

52 Week Range
$2.53-$3.80

Year End
June 30

KEY STATISTICS

Target Price	**NA**	**Cash and Cash Equivalents (Jun 30, 2007**	**A$10,072,893**
Recent Price: SPHRY/SPL	**US$3.25/A$0.360**	**Operating Cash Flows**	**A$(3,380,194)**
Average Daily Volume (90 Days)	**9,289**	**Net working Capital (Jun 30, 2007)**	**A$8,147,892**
Market Capitalization[1]	**A$64.70 mil.**	**Shareholder's Equity (Jun 30, 2007)**	**A$25,724,030**
P/E Multiple	**NA**	**Gross Margin**	**NA**
P/R Multiple	**7.2**	**Operating Margin**	**NA**
P/B Multiple	**2.4**	**Net Margin**	**NA**
PEG Ratio	**NA**	**Cash Burn Rate**	**A$350,000/months**

1-Based on SPL closing price of A$0.360 as of 10/05//07 and the basic number of SPL outstanding

INVESTMENT HIGHLIGHTS

Potentials

- Starpharma's lead dendrimer product, VivaGel®, addresses markets with huge potential.
- VivaGe l® has received clearance from the U.S. FDA for human clinical trials and the company has already started the clinical development of VivaGel® for prevention of HIV and genital herpes.
- The Melbourne study which was conducted on 36 men indicated that that VivaGel l® was safe and well tolerated, and as seen in a previous completed clinical trial in women, there was no evidence of absorption of the active ingredient of VivaGel®, SPL7013, into the blood after topical application.
- The recent agreement with SSL International PLC, the condom company, to use VivaGel® as a microbicidal condom coating is a very positive development towards commercialization of VivaGel l®., The global annual retail market for condoms in 2005 was US$3.26B with 4-5% potential annual growth rate. This is not the only avenue of commercialization for VivaGel l® and the stand-alone gel remains potentially an even larger opportunity.
- Through its growing R&D efforts Starpharma has discovered and is developing dendrimers for a wide range of diseases and applications.
- Starpharma's acquisition of the U.S. based Dendritic Nanotechnologies Inc. provides valuable synergies including more U.S. presence, extensive IP portfolio, road to commercialization, and a more diversified product base.
- The broad range of patents owned by Starpharma including those of DNT makes the company an attractive takeover candidate by large pharmaceutical companies.

Risks

- Starpharma is at a pre-commercialization stage and its main source of revenue is various governments' grants.
- Commercialization of VivaGel l® depends on the results of clinical trials on humans and its approval by regulatory authorities, in particular approval by the U.S. FDA.
- Large pharmaceutical companies might come out with products similar to VivaGel® or with other products in Starpharma's pipeline with competitive advantage.
- The growing concern over safety, health, and environmental issues of nanotechnology might delay commercialization of some of Starpharma's and DNT's dendrimers products.

COMPANY OVERVIEW

Starpharma Holdings Limited is an Australian-based company engaged in the development and application of dendrimer nanotechnologies as drugs and in other life science applications. Starpharma's business strategy is to use dendrimer-based nanotechnology to discover, develop and commercialize pharmaceuticals for serious human diseases and in life sciences.

Starpharma's value comes from its opportunities for substantial revenues from three key areas (a) VivaGel®, intended to prevent the transmission of HIV, genital herpes, and other sexually transmitted infections, (b) other medical and life science applications, and (c) industrial applications of dendrimers.

VivaGel® is Starpharma's lead dendrimer product. VivaGel® is a vaginal microbicide gel being developed as a preventative against Sexually Transmitted Infections (STIs). VivaGel is initially targeted at HIV and genital herpes, and is currently undergoing human expanded safety trials in Melbourne, Australia, San Francisco, USA, and Kisumu, Kenya.

VivaGel® has received clearance from the U.S. FDA for human clinical trials under two INDs and in two indications; the prevention of HIV and genital herpes. The VivaGel clinical trials are funded by the US National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Heath (NIH).

Starpharma has already completed two human clinical trials of VivaGel® in Australia and is currently pursuing two other clinical trials of VivaGel® in the USA and Kenya. The status of Starpharma's clinical trials of VivaGel® on humans is shown below:

VivaGel™ - Clinical Trial Status

Study	No. Participants	Site(s)	IND Application	Status
Safety, tolerability and pharmacokinetic study of escalating doses of VivaGel in healthy women when administered vaginally, once daily for 7 days	37	Adelaide, Australia	Prevention of HIV	Complete
Safety and acceptability study of VivaGel when administered to the penis of healthy male volunteers once daily for 7 days	37	Melbourne, Australia	Prevention of HIV	Complete
Expanded safety and tolerability study of VivaGel in healthy young, sexually abstinent women when administered twice daily for 14 days	60	San Francisco, USA and Kisumu, Kenya	Prevention of genital herpes	Ongoing
Expanded safety and acceptability study of VivaGel in healthy young, sexually active women when administered twice daily for 14 days	40	Tampa, USA and San Juan, Puerto Rico	Prevention of HIV	Ongoing

Source: Starpharma's August 2007 Investor Presentation

On July 24, 2007 Starpharma presented the results of Melbourne clinical trial to the 4th. International Aids Society (IAS) Conference, held in Sydney, Australia. According to the Starpharma, the Melbourne study which was conducted on 36 men indicated that that VivaGel® was safe and well tolerated, and as seen in a previous completed clinical trial in women, there was no evidence of absorption of the active ingredient of VivaGel®, SPL7013, into the blood after topical application.

On October 16, 2007 Starpharma announced that it has signed an agreement SSL International PLC, a leading condom company, in relation to the use of VivaGel® as a condom coating. The agreement includes a program of evaluation and development and also commercialization rights covering condoms with VivaGel® coatings within a specified geographical region. SSL is the world's largest manufacturer of condoms with approximately 30% share of the global market for branded condom sales, selling into over 100 countries around the world.

Global condom retail sales in 2005 were approximately $3.2 billion, with the top four companies representing as much as 70% of the market. This move by Starpharma is a very positive development towards commercialization of VivaGel® which could lead to other avenues of commercialization. The condom market in 2006 is reported to be US$3.26B with 4-5% potential annual growth rate. Given that the existing condom coatings, mostly a detergent nonoxyl-9 (N9), are suspected to increase the risk of infection by HIV and the human papilloma virus, VivaGel® may be the replacement of choice because of not being cytotoxic and being antiviral (HSV-2/HIV) and contraceptive.

On October 20, 2006 Starpharma completed 100% acquisition of the U.S. based Dendritic Nanotechnologies Inc. (DNT) and thus entered into many other areas of dendrimers. DNT has ownership of 33 patent families and more than 182 patents that cover a wide range of dendrimer applications. Priostar™ and PrioFect™ are the two lead products of DNT. Priostar™ dendrimers are a novel nanoscale polymer technology that is being made available commercially. It is seen to have the potential to promote adhesion, accelerate curing, strengthen resins and polymers, recycle catalysts, improve ultra-filtration, calibrate nanoporosity, and enhance cross-linking and low viscosity. Potential applications range from high performance adhesives, electronics, resins, and genetic medicine. PrioFect™ is a "transfection agent", a research reagent that improves the ability of scientists to introduce genetic material into cells. One of its most exciting applications is in the transfection of siRNA into cells.

Starpharma's proprietary dendrimer platform, which includes Priostar, 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 DNT, is actively exploring dendrimer opportunities in materials science with applications as diverse as adhesives, lubricants and water remediation. SPL has a comprehensive IP portfolio that comprises more than 224 patents/applications issued and pending across 56 patent families - a unique level of IP concentration among nanotechnology companies.

Starpharma's product pipeline is shown in the Figure1 below:

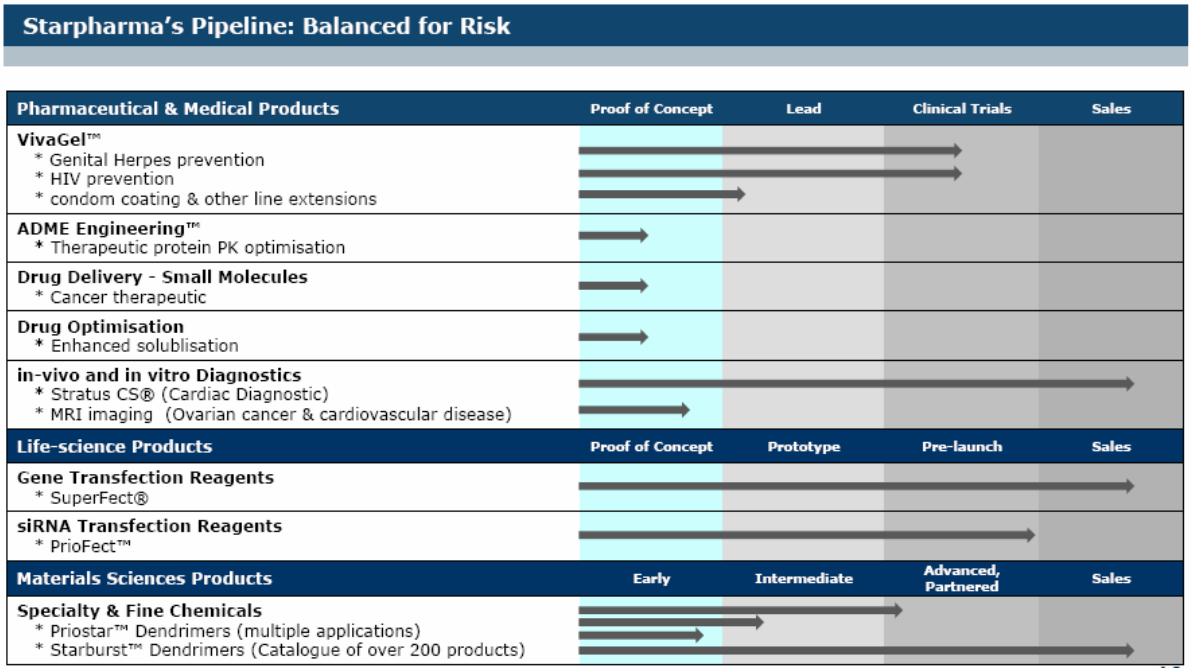
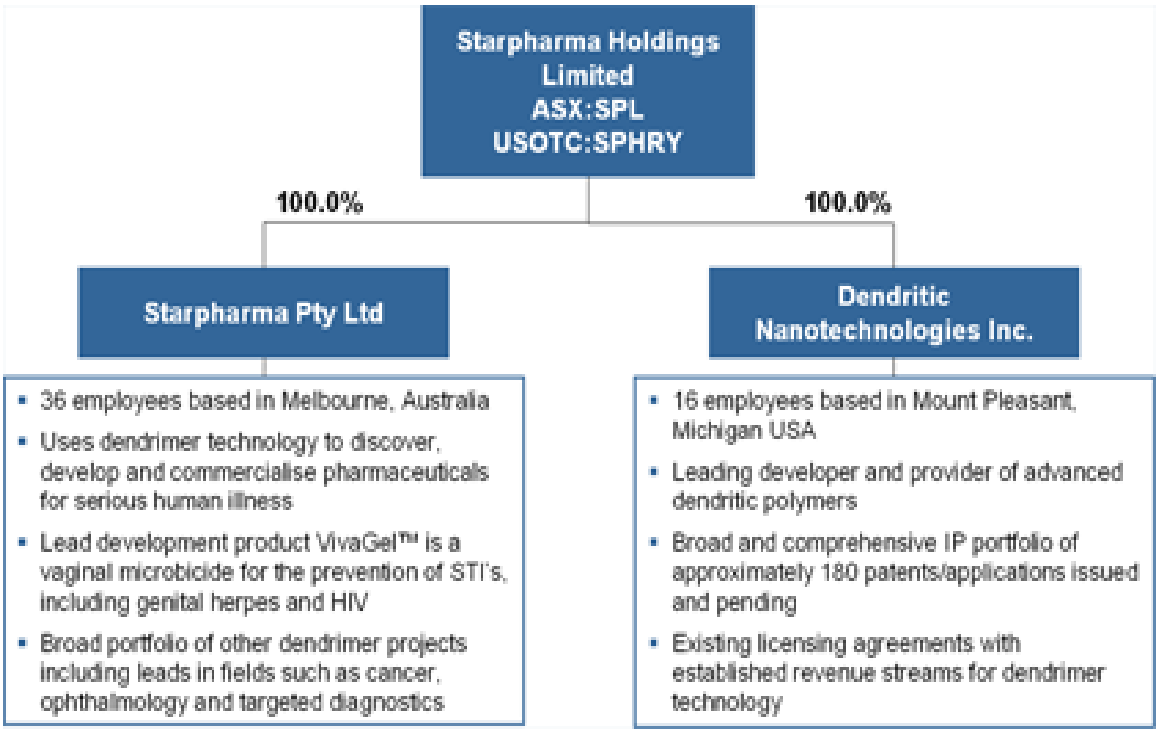


Figure1. Starpharma's product pipeline (Source: Starpharma's August 2007 Investor Presentation).

Shares of common stock of Starpharma trade on the Australian Stock Market (ASX) under the symbol SPL. In January 2005, Starpharma's American Depository Receipts (ADR) Program was launched through the Bank of New York with each ADR representing 10 SPL shares. Starpharma ADR trades under the symbol SPHRY in OTC Pink Sheet.

According to Starpharma's March 26, 2007 news release, Starpharma upgraded its Level 1 ADRs program to International OTCQX, a new premium market tier in the U.S. for international exchange-listed companies, operated by Pink Sheets, LLC. International OTCQX provides a gateway to U.S. securities markets by giving public international companies a vehicle to have their shares traded in the U.S. and provide ongoing disclosure in English to U.S. investors. The upgrading of Starpharma's Level 1 ADRs to International OTCQX is an instrumental step on the way to Level 2 ADRs.

Starpharma Holdings Limited has two operating entities, Starpharma Pty Ltd, based in Melbourne, Australia, and Dendritic Nanotechnologies Inc. which is a wholly owned subsidiary based in Michigan, US.



LATEST FINANCIALS

Starpharma prepares its financial statements in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AIFRS ensures that the consolidated financial statements and notes of Starpharma Holdings Limited comply with international Financial Reporting Standards (IFRSs)

Income Statement

Starpharma's products are at pre-commercialization stage and, therefore, currently Starpharma Holdings Limited's main sources of revenue are royalty and licensing revenues since the acquisition of DNT, various government grants, and interest earned on excess cash balances.

During the fiscal year ending June 30, 2007 (FY07) Starpharma's total revenue and other income was A$9,553,307, showing an increase of over 36% as compared to total revenue and other income of A$6,993,903 during the fiscal year 2006 (FY06).

Revenues from continuing operations for FY07 was A$1,462,771, showing an increase of about 156% as compared to revenues from continuing operation of A$571,837 for FY06. This increase was basically due to A$859,465 customer and licensing revenue since the acquisition of DNT in October 2006.

Grant income from government sources for the fiscal year 2007 was a total of A$ 8,090,536, about 26% more than the A$ 6,422,066 government related grant income for the 2006 fiscal year. The government grants' income in the fiscal year 2007 consisted of A$ 7,814,258 from the USA Government grants (was A$ 5,868,063 for FY06) and A$ 276,278 from Australian Government P3 grant (was A$ 554,003 for FY06)

Starpharma's major expense item is R&D expense which reflects the Company's active strategy of staying as a leading entity in the dendrimer industry. During the fiscal year 2007 Starpharma spent A$11,983,590 on research and development projects, an increase of about 20% over A$ 9,945,396 R&D expenditure in FY06. Thus, Starpharma's R&D investments during the fiscal year 2007 were about 125% of its total revenues.

For the fiscal year 2007 Starpharma's general and administration expense was A$5,325,403, an increase of about 36% over A$3,906,186 figure FY06. This increase in general and administration expense is mainly due to inclusion of DNT as a wholly owned subsidiary from October 2006.

Overall, the Company's net loss for the fiscal year 2007 was A$7,244,996 which was about 4% lower than net loss of A$7,522,789 in FY06. As a result, Starpharma's loss per share decreased from A$0.06 in fiscal year 2006 to A$0.04 in fiscal year 2007.

During the fiscal year 2007 Starpharma did not raise any cash through issue of new shares and its cash expenses were met through its beginning of the period cash balances and through its cash revenues, including government grants.

Starpharma Holdings Limited Consolidated Income Statement (A$)

	For the fiscal year ended June 30	
	2007	**2006**
Revenues from continuing operation	1,462,771	571,837
Other incomes (governments grants)	8,090,536	6,422,066
Administration expense	(5,325,403)	(3,906,186)
Research and development expense	(11,983,590)	(9,945,396)
Finance costs	(32,738)	(23,285)
Share of results of associates accounted for using the equity method	(178,446)	(641,825)
Loss before income tax	(7,966,870)	(7,522,789)
Net loss for the period	(7,244,996)	(7,522,789)
Basic loss per share	(0.04)	(0.06)
Diluted loss per share	(0.04)	(0.06)

Balance Sheet

As of June 30, 2007 Starpharma's balance sheet showed A$ 10,072,893 in cash and cash equivalents. Total cash and cash equivalents as of June 30, 2006 was A$14,283,824. Thus, total cash burn for the fiscal year 2007 was A$ 4,210,931, at a rate of A$350,911 per month.

Total current assets as of June 30, 2007 were A$ 11,407,618. In contrast their total current liabilities were A$ 3,259,726 yielding a current ratio of 3.6; a very strong number by any standard, an A$8,147,892 in net working capital.

During the fiscal year 2007, Starpharma's intangible assets increased by 334% from A$ 4,086,538 as of June 30, 2006 to A$ 17,785,573 as of June 30, 2007. This increase in intangible assets was due to Starpharma's acquisition of the remaining 67% equity of Dendritic Nanotechnologies Inc. which was totally financed through issuance of new equity.

Starpharma's long-term obligations and other non-current liabilities are negligible as compared to their total assets and total equity. As of June 30, 2007 Starpharma had total equity of A$ 25,724,030 and total assets of A$ 30,423,479, while their total non-current liabilities were only A$ 1,439,723.

Starpharma Holdings Limited Consolidated Balance Sheet (A$)

	30-Jun-07	30-Jun-06
Cash and cash equivalents	10,072,893	14,283,824
Trade and other receivables	1,334,725	2,824,267
Total current assets	11,407,618	17,108,091
Property, plant and equipment	1,110,801	1,431,124
Intangible assets	17,785,573	4,086,538
Investments accounted for using the equity method	76,286	2,387,312
Total non-current assets	19,015,861	7,904,974
Total assets	30,423,479	25,013,065
Total current liabilities	3,259,726	3,032,695
Total non-current liabilities	1,439,723	664,384
Total liabilities	4,699,449	3,697,079
Total equity	25,724,030	21,315,986
Total liabilities and equity	30,423,479	25,013,065

Statement of Cash Flows

During the twelve months period ended June 30, 2007 Starpharma's cash and cash equivalents decreased from A$14,283,824 at the beginning of period to A$ 10,072,893 at the end of period. The reason for this decline was mainly due to operating activities and the fact that Starpharma did not sell new shares for cash during the period.

Cash flows from operating activities during the fiscal year 2007 was negative A$ (3,380,194) showing a large improvement compared to negative operating cash flow of A$ (7,489,948) during the fiscal year 29006, mainly due to increase in grant income.

On 22 August 2007 Starpharma raised an additional A$3.8M in capital through the issue of 11,881,167 ordinary shares in a private placement to a US-based institution and an existing Australian institutional shareholder at a price of $0.3212 per share. With this new cash, the A$10.07M cash and cash equivalents as of June 30, 2007, and the cash burn of 4.2M per year Starpharma can support its R&D and other operating expenses at current levels for over three years without the needing additional external finance.

Starpharma Holdings Limited Consolidated Statement of Cash Flow (A$)

	For the fiscal year ended June 30	
	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from trade and other debtors	1,042,324	110
Grant income (inclusive of GST)	10,567,298	4,360,527
Payments to suppliers and employees (inclusive of GST)	(15,591,264)	(12,405,980)
Interest received	636,152	574,151
Interest expense	(34,704)	(18,756)
Net Cash - Operating Activities	(3,380,194)	(7,489,948)
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for property, plants, and equipment (net)	(181,175)	(437,280)
Payments for transaction costs on acquisition of subsidiaries (net of cash acquired)	(90,986)	-
Net Cash - Investing Activities	(272,161)	(437,280)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of shares-net	-	14,990,045
Share issue transaction costs	-	(810,413)
Lease repayments	(126,739)	(134,839)
Net Cash - Financing Activities	(126,739)	14,044,793
Net Change - Cash and Cash Equivalents	(3,779,094)	6,117,565
Cash Beginning of Period	14,283,824	8,166,259
Cash End of Period	10,072,893	14,283,824

STOCK PRICE BEHAVIOR

With over 72% growth in 2006/2007, Starpharma's ADR program has been very successful since being launched in January 2005. As of August 24, 2007 the number of Starpharma's ADRs on issue represented 11.2% of the company's issued capital. The growth in number of ADRs on issue is exhibited in Figure 2.

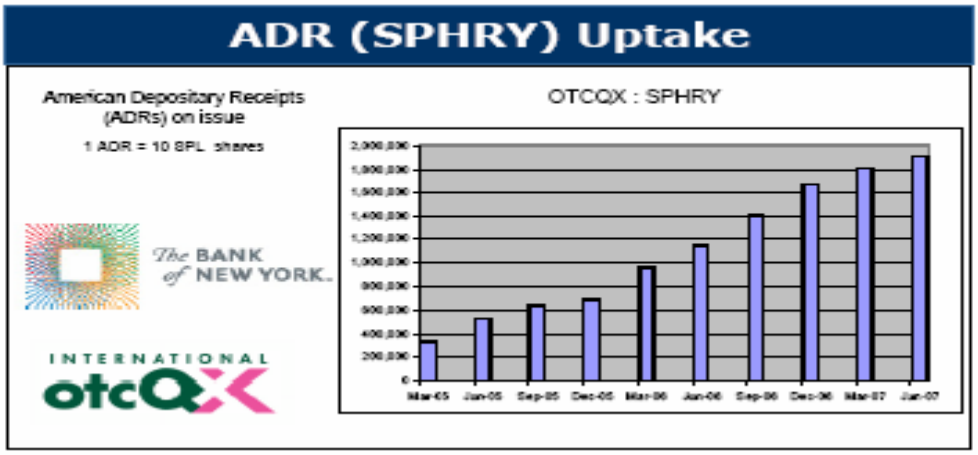


Figure 2. Number of SPHRY on issue since the launch of ADR program (Source: Starpharma's August 24, corporate presentation).

The 52 -Week price and volume behavior for Starpharma's ADR (SPHRY) from October 5, 2006 to October 5, 2007 is exhibited in the Figure 3.

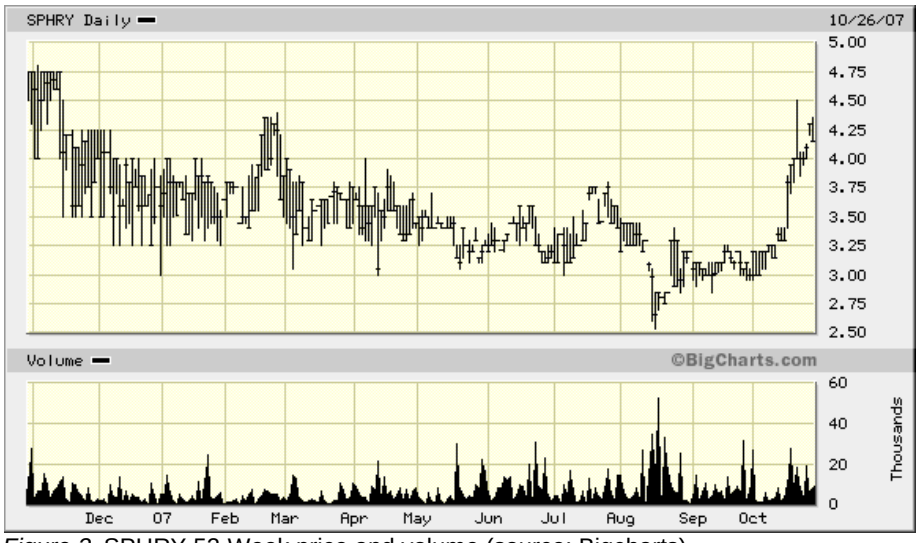


Figure 3. SPHRY 52-Week price and volume (source: Bigcharts).

During the one-year period, SPHRY was trading (closing prices) in the $2.53 to $3.80 range. The 3-momth average daily volume was about 9,286. This is almost twice the 3-month average daily volume of 5000 that we reported in our May 2007 update report. This increase in relative average daily volume over the past three months and rapid growth of ADRs on issue are good indications of the growth in SPHRY market liquidity.

CONCLUSIONS

Starpharma Holdings Limited is an emerging company operating in an emerging industry. Starpharma's business strategy is to use dendrimer-based nanotechnology to discover, develop and commercialize pharmaceuticals for serious human diseases. VivaGel® is Starpharma's lead dendrimer product. It is a gel-based microbicide with a nanotech active being developed to prevent sexually transmitted infections in women.

With the increasing global awareness of the HIV/AIDS problem and the accelerating endeavors at the international, governmental, civil social groups, and even individuals' levels to prevent and treat this devastating epidemic as quick as possible, Starpharma's VivaGel stands at the forefront of the global HIV/AIDS prevention strategies.

Starpharma is pursuing promising leads in fields such as cancer, ophthalmology, and targeted diagnostics. Its invested companies, including DNT, also provide additional avenues of commercialization; such as, in drug delivery, transfection reagents, and contrast agents.

Since our last update report in May 2007, two important developments occurred that might have very encouraging impact on Starpharma's business. First, according to Starpharma's presentation in the 4th the International Aids Society (IAS) Conference, held in Sydney, Australia, the Melbourne study which was conducted on 36 men indicated that that VivaGel® was safe and well tolerated, and as seen in a previous completed clinical trial in women, there was no evidence of absorption of the active ingredient of VivaGel®, SPL7013, into the blood after topical application. Second, the recent agreement with a condom company to use VivaGel® as a condom coating is a very positive development towards commercialization of VivaGel® which could lead to other avenues of commercialization. The condom market in 2006 is reported to be US$3.26B with 4-5% potential annual growth rate.

Starpharma acquired 100% of DNT on October 23, 2006.We agree with Starpharma's management that acquisition of DNT results in valuable synergies including more U.S. presence, extensive IP portfolio, road to commercialization, and a more diversified product base.

Starpharma has a healthy balance sheet. They have a strong cash position which can support their operating and R&D expenses should there be a shortfall in revenues. Starpharma has almost a debt free balance sheet with substantial equity which provides the company with the opportunity of external financing should the need arises.

However, investment in Starpharma's stock demands high level of risk tolerance. Commercialization of VivaGel® depends on the results of clinical trials on humans and its approval by regulatory authorities, in particular approval by the U.S. FDA. It is possible that large pharmaceutical companies come out with products similar to VivaGel® or with other products in Starpharma's pipeline with competitive advantage. Moreover, the growing concern over safety, health, and environmental issues of nanotechnology might delay commercialization of some of Starpharma's and DNT's dendrimers products.

APPENDICES

Recent Events
Management
Disclaimer

RECENT DEVELOPMENTS

October 16, 2007: Starpharma and Durex sign co-development agreement for VivaGel®-coated condoms
Starpharma Holdings Ltd (ASX:SPL, OTCQX:SPHRY) today announced the signing of an agreement with SSL International plc (LSE:SSL), owner of Durex®, the world's leading condom brand.

The agreement, under which a commercial license will be negotiated, sets out a co development program for condoms with a VivaGel® coating. Undisclosed fees are payable to Starpharma under the co-development agreement, which also provides for the commencement of regulatory and market development activities by the two parties.

SSL is the world's largest manufacturer of condoms with approximately 30% share of the global market for branded condom sales, selling into over 100 countries around the world. Global condom retail sales in 2005 were approximately $3.2 billion1, with the top four companies representing as much as 70% of the market.

August 23, 2007: Private Placement Settled
The Board of Starpharma Holdings Limited (Starpharma or Company) advises that on 23 August 2007 the Company settled the placement of 11,881,167 ordinary shares (Shares) and 7,567,119 options over ordinary shares in the Company (Options), to a US institutional investor and to an Australian institutional investor, as announced on 21 August 2007. As announced at the time, the share placement raised a total of approximately AU$3.8 million before costs.

August 08, 2007: Starpharma's DNT to develop water purification technology under US Defense Dept contract
Starpharma announced that its wholly owned subsidiary Dendritic Nanotechnologies Inc (DNT) will develop its proprietary technology to purify water following the award of a contract with the US Department of Defense's (DoD) Strategic Environmental Research and Development Program.

The US$1.3m DoD contract was awarded to DNT and the Central Michigan University Research Corporation to develop water remediation technology using DNT's Priostar™ dendrimer-based nanotechnology.

The dendrimer is to act as a sponge to soak up toxic chemicals from ground-water, leaving the water purer and useable. The ability of a dendrimer to pack a large functional surface area into a small particle makes it an appropriate choice for the application.

July 24, 2007: Starpharma presents positive results of clinical study of VivaGel® in men at 4th International AIDS Society Conference
Starpharma announced that it will today present results of a clinical trial indicating that 3% SPL7013 Gel (VivaGel®) was well-tolerated in men, and suitable for further development as a topical microbicide for the prevention of HIV and genital herpes.

The results are to be presented by Starpharma in Sydney today at the 4th International AIDS Society (IAS) Conference on HIV Pathogenesis, Treatment and Prevention, at which the research and development of microbicides is a key focus.

The study compared 36 circumcised and uncircumcised men who applied VivaGel® (24 men) or a placebo gel (12 men) topically to their penis once daily for seven days. The trial was double blinded so that the participants, principal investigator and study staff did not know who was receiving placebo or VivaGel®.

Overall, this study demonstrated that VivaGel® was safe and well tolerated, and comparable with placebo when applied to the penis of both circumcised and uncircumcised healthy male volunteers once daily for seven days, and left in place for approximately 9 hours. As seen in a previous completed clinical trial in women, there was no evidence of absorption of the active ingredient of VivaGel®, SPL7013, into the blood after topical application.

The most commonly reported genital adverse events in both treatment groups were considered to be mild and to be consistent with application to the surface of the penis of a substance which dries and is not washed off for a number of hours.

Acceptability was a secondary endpoint in this study and interviews indicated that VivaGel® would be acceptable to participants if shown to be protective against sexually transmitted infections, and there were few concerns around the potential impact on sexual pleasure.

July, 18, 2007: Starpharma Signs Agreement for Condom Coating Application of VivaGel®
Starpharma announced that it has signed an agreement with a leading condom company in relation to the use of VivaGel® as a condom coating.

The agreement includes a program of evaluation and development and also commercialization rights covering condoms with VivaGel® coatings within a specified geographical region. The condom company, whose name may not be disclosed for reasons of confidentiality, holds the leading market position within that region. The market in question is in the developed world, and ranks within the top five globally, measured by GDP.

The terms of the agreement were not disclosed.

July 10, 2007: U.S. NIH Funded Trial of VivaGel® in Sexually Active Young Women Commences
Starpharma announced the commencement in the U.S. of a trial to assess the safety and acceptability of SPL7013 Gel (VivaGel®) in sexually active young women.

The Microbicide Trials Network (MTN) is leading the study, funded by the U.S. National Institutes of Health (NIH), in which VivaGel® will be tested for the first time in sexually active young women to determine its safety, acceptability and ease of use. VivaGel® is being developed as a vaginal microbicide for the prevention of HIV and genital herpes.

The expanded safety study is being conducted at the University of South Florida in Tampa, Florida, and the

University of Puerto Rico in San Juan, Puerto Rico, through a collaboration between the MTN (an HIV/AIDS clinical trials network established by the National Institute of Allergy and Infectious Diseases, NIH), the Adolescent Medicine Trials Network for HIV/AIDS Interventions (of the National Institute of Child Health and Human Development, NIH), and Starpharma.

The study will enroll 40 sexually active, HIV-negative women aged 18 to 24 years. Participants will be randomly assigned to one of two study groups. One group will apply VivaGel® twice a day for two weeks and the other will apply a placebo gel. The safety of VivaGel® compared with the placebo will be assessed by laboratory tests and clinical examination of the participants.

MANAGEMENT

Jackie Fairley, *BSc, BVSc (Hons), MBA*
Chief Executive Officer
Dr. Fairley has over 15 years' experience in the pharmaceutical and biotechnology industries working in business development and senior management roles with companies including CSL and Faulding (now Mayne Pharma). Prior to joining Starpharma as COO in 2005, she was CEO of Cerylid Biosciences Limited. During her time as CEO of Cerylid, the company generated revenues of over $20 million, raised more than $10 million private equity funding and completed the acquisition and integration of a private kinase company. Prior to joining the biotechnology sector, Dr Fairley spent 5 years as a Vice President for Faulding's injectable division where she was responsible for the group's global business development activities and injectable development program supporting product sales of > $200 million into 70 countries. She is a member of the Federal Government's Pharmaceutical Industry Working Group, and the Victorian Innovation Economy Advisory Board.

Paul Barrett, *BSc (Hons), PhD*
Vice President, Business Development
Dr. Barrett has 6 years' experience in marketing and business development gained in both start-up and multinational technology companies in the UK. He has also run a competitive intelligence unit providing strategic and tactical direction in sales planning. As a research scientist he has worked in academia and industry, including at the Department of Biochemistry, University of Oxford, where he published in the areas of cell-cycle kinase function, drug design, and structural bioinformatics. He has publications in photonics and in classical lens design and is the co-inventor on a patent for a communications device.

Dr. David Owen
Vice President, Research
Dr. David Owen has extensive experience in medicinal chemistry, biochemistry and managing teams focused on commercially directed drug discovery. He has held several positions in the biotech industry starting out with Mimotopes (part of Mitokor Inc.) as a senior chemist, he worked on projects for several major pharmaceutical companies. He then joined Cerylid as Head of Chemistry, and following that took on the same position at Glykoz, where he headed up a team of chemists working on a new class of antibacterial agents. David has expertise in a wide range of areas of chemistry including the synthesis of natural products, peptides, carbohydrates and heterocyclic compounds and has worked across a range of therapeutic areas including type 2 diabetes, antimicrobials, and anticancer agents.

David has a First Class honors in Chemistry from the University of Queensland and has a PhD from the Australian National University. Following his PhD he went on to work with a number of internationally recognized academic research groups taking on post doctoral fellowships at the University of Utah, USA, a prestigious Alexander von Humboldt Fellowship at the University of Karlsruhe, Germany and an ARC postdoctoral fellowship at the Victorian College of Pharmacy, Monash University working with Professor Mark Von Izstein. David is a co-author on 20 publications and 5 patents.

Jeremy Paull, *BSc (Hons), PhD*
Vice President, Development and Regulatory Affairs
Dr. Paull is responsible for managing Starpharma's regulatory and clinical affairs. Jeremy received a PhD in Pharmacology from Monash University, in 2000 for work on the functional and structural cardiovascular effects of various antihypertensive drugs. Prior to joining Starpharma, he worked with the Australian biotechnology company, Norwood Abbey, on the development of a medical device which was approved to alter skin properties and improve transdermal drug delivery. Since joining Starpharma in 2001, Dr. Paull's efforts have been integral to the implementation of the company's quality management system (QMS), the preparation and submission of Starpharma's first Investigational New Drug (IND) application to the US Food & Drug Administration (FDA), and the advancement of the clinical aspects of the VivaGel® development program. He has overseen expansion of the QMS and now directs the company's regulatory and clinical strategy.

Ben Rogers
Company Secretary
Mr. Rogers has extensive experience in finance and human resources management with the CSIRO research laboratories in Victoria, South Australia, and Western Australia. He also operated his own consulting business providing services to Co-operative Research Centers and CSIRO Divisions. Mr. Rogers joined Starpharma on commencement of operations in April 1997 and was appointed to the position of Company Secretary in February 1998. He is a member of the senior executive team with responsibilities that include the role of Chief Financial Officer.

Nigel Baade, *BCom, CPA, Grad Dip Arts (Development)*
Financial Controller
Mr. Baade is a CPA qualified accountant with experience in the pharmaceutical and biotechnology industries. His previous roles have included Finance Manager of Cerylid Biosciences and Manager Accounting, International Business Development for Faulding (now Mayne Pharma). Mr Baade has extensive experience in financial control, project and cost management of research activities, commercialization of global business development opportunities, private equity raising and grant funding. Prior to joining Starpharma in January 2006, he held a commercial planning role with Dutch multinational, Hagemeyer. He has a Postgraduate Diploma in International Development from Monash University.

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ANALYST CERTIFICATION

I, Mohammad Sharifzadeh, PhD, CFA, is the Research Analyst responsible for the preparation of this Research Report hereby certify that:

(1) the views and opinions expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report
(2) the compensation payable to the Research Analyst, is not, has not, and will not, directly or indirectly, be related to the specific views and opinions expressed by the Research Analyst in this Research Report.
(3) I have no ownership in, nor any affiliations with the company in this research report.

Mohammad Sharifzadeh,PhD, CFA, is a member of CFA Institute

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CCM Research also subscribes to the principles contained in the Analyst/Corporate Issuer Guidelines jointly promulgated by the CFA Institute and the National Investor Relations Institute, described at: http://www.cfainstitute.org and http://www.niri.org.

RESEARCH METHOD

In arriving at an investment rating, we use the following analytical measures:

1) Potentials and opportunities: competitive advantage, market potentials, patents, properties, reserves.

2) Risk factors: regulatory approvals, R&D results, ability to raise capital, going concern issues, competition.

3) Evaluation of the stocks fair value given the company's potentials and risks.

RESEARCH PROCEDURES, STANDARDS & ETHICS

1) Analysts are independent contractors and not employed by Cronus Capital Markets, Inc.

2) Analysts are pre-qualified, primarily by their level of expertise, as established by the CFA Institute or a similar overseas program, or by several years of experience providing analytics for recognized Wall/Bay Street institutions.

3) The analyst is responsible for providing research under stated procedures and is not responsible to the company in any way.

4) Analysts are paid in advance of their initial reports to avoid any pecuniary interest in the outcome.

5) Regardless of the outcome of the report, if it is professionally produced, and the analyst engages in timely communication with their covered companies, the analyst remains on the queue for future assignments.

6) Definitions of ratings are available to the public and to the analysts. No rating is to be issued that is labeled a recommendation. No analyst may recommend the purchase or the sale of any equity.

7) Analysts are asked to professionally arrive at an expected fair value of the company six, 12, 18 months out, and then to divide that by the number of shares calculated or reasonably expected to be outstanding on that future date. That number, no matter what it is, is the target valuation.
(NOT ALL REPORTS HAVE TARGET VALUATION)

8) Reports must be publicly-accessible, at no charge, and a link provided to the public for any summaries or announcements published and distributed via any means. (see: www.ccmopportunitybase.com)

9) Full disclosures regarding compensation must accompany every communication.

10) Once the analyst has completed his or her report, and he or she affirms that the report is his or her sole work product, it is sent to the company with any and all ratings and target valuations extracted for errors and omissions review, then subsequently released for publication and distribution.

RESEARCH RATING SYSTEM

STRONG BUY	**(5)**
BUY	**(4)**
SPECULATIVE BUY	**(3)**
HOLD	**(2)**
SELL	**(1)**
AVOID	**(1)**
SUSPENDED	**(0)**

STRONG BUY (5)
Company's stock price appears to be substantially undervalued relative to its future growth potential.

BUY (4)
Shares appear to be undervalued in light of several factors.

***SPECULATIVE BUY (3)**
Shares appear to offer potential gains though risk is considerably higher. Such a company may have "going concern" problems, or company's future prospects may hinge on critical assumptions, such as (but not limited to) the company's ability to compete effectively in the marketplace, achieve most or all of its stated business goals, maintain sufficient financial liquidity and resources (from daily cash flow to capital for expansion) and the avoidance of legal or other pitfalls.

HOLD (2)
Shares appear to be fairly valued and while there is no incentive to add such shares, there are similarly no current known compelling factors that would warrant selling absent a subsequent trading drop in value.

SELL (1)
At present, shares appear to be overvalued.

AVOID (1)
At present, shares appear to be significantly overvalued

SUSPENDED (0)
Company has been suspended due to inability or unwillingness to provide continued access to the company by the assigned analyst, a violation of AIMR's proposed Issuer Standards.

***What does "speculative" mean in a rating?**
Companies with meager or no historical data or that are at the development stage, are generally considered highly SPECULATIVE. Such companies may even have "going concern" problems and an analyst recommendation should be considered only as a part of a total investigative process by anyone considering purchase. A speculative buy opinion generally refers to future valuations only if the company is able to achieve most or all of its business goals and avoid most or all of the possible risks, including raising sufficient capital and effectively competing in its marketplace.

TYPES OF RESEARCH COVERAGE

Comprehensive Research Report: Should be of 40 or more pages**.** Should include industry analysis, financial forecasting, valuation analysis, rating, and price target. Use the template provided

Basic Research Report: Should be 20 or more pages, does not include financial forecasting and price target. There is no separate section for industry analysis or valuation. However, the analyst should refer to major industry parameters in the competitive landscape section. Basic research should include rating. Use the template provided

Update Reports: Update reports are quarterly after the company files its financial statements with the relevant authorities. An update report will be about 12 pages containing an overview of the company, recent developments in the company, and an analysis of recent financial statements.

Research Note: A research note is one or two pages and is written when some significant developments take place that could have major effects on the company's performance. Some significant developments could be:

- Change in the company's business strategy
- Approval or denial of a major license or patent
- Earnings pre-announcement
- Addition or termination of a major contract
- New regulations that can have significant impacts on the industry