

Shareholder Update: September 2009

Welcome to the latest edition of Starpharma's Shareholder Update, a periodic newsletter designed to keep our shareholders informed of recent Company developments.

This issue provides an update on recent significant Company events including: a funding boost for Starpharma's NIH programs; encouraging new clinical trial results for VivaGel[®]; a financial update covering recent strong full year financial results and positive share trading, and the appointment of a highly experienced business development manager to the DNT team.

Starpharma NIH programs receive funding boost

The US National Institutes of Health (NIH) has extended its support of Starpharma's microbicide programs by awarding the Company a further US\$1.25 million for the development of VivaGel[®] and related research. This top-up funding is in addition to the NIH funding announced to date which totals more than US\$26 million.

The funding will be applied under existing programs¹ to the development of VivaGel[®] and related microbicide research including clinical work both at Starpharma and through its collaborators.

The NIH has been a strong supporter of Starpharma's microbicide programs over the years. This new funding follows a growing body of data supporting the development of VivaGel[®] for the prevention of sexually transmitted infections (STIs) including HIV and genital herpes (HSV-2).

"We are pleased to have received this additional funding support from the NIH and we greatly value their support. In addition the Company also has several new funding programs under consideration," said Dr Jackie Fairley, CEO, Starpharma.

VivaGel[®] has gathered widespread international recognition for its potential to prevent STIs such as HIV and genital herpes (HSV-2), with the FDA already designating it as a Fast-Track product to accelerate its development.

The market for topical microbicides has been estimated to be worth at least US\$1.5B-US\$3B annually.

1 NIH Grant U19 AI060598 and NIH Contract HHSN 266200500042C



VivaGel[®] - the first microbicide to demonstrate long lasting antiviral activity following human administration

The results of a ground-breaking clinical study announced in August, demonstrated that VivaGel[®] retained potent antiviral activity against human immunodeficiency virus (HIV) and herpes simplex virus (HSV, the virus that causes genital herpes) for several hours following vaginal administration in women.

VivaGel[®] is the first microbicide to demonstrate in humans potent antiviral activity beyond one hour after administration. (continued page 2)

VivaGel® - the first microbicide to demonstrate long lasting antiviral activity following human administration *(continued from page 1)*

The study assessed the antiviral activity of VivaGel® in cervicovaginal fluid samples (CVS) taken from 11 healthy women immediately, and then at 1, 3, 12 and 24 hours after individual doses of the product.

The study showed that samples collected immediately after vaginal administration of VivaGel® provided effectively complete inhibition of HIV and HSV, and that this high level of activity was retained at 1 and 3 hours post-administration. Samples collected at 12 and 24 hours following administration also showed a very high level of retention of activity in a significant proportion of women.

The study was conducted in Melbourne, at the Centre for Clinical Studies, in collaboration with the Burnet Institute and was funded by NIH Contract No HHSN266200500042C¹.

These results are particularly encouraging for VivaGel® as they point to the potential for the product to be applied a significant period of time prior to sexual intercourse.

“We were delighted to see further positive clinical trial results for VivaGel®, with the retention of potent activity several hours after administration, further enhancing the commercial prospects of the product,” said Dr Jeremy Paull, VP Development and Regulatory Affairs at Starpharma.

¹ The following statement is included in accordance with the requirements of Contract No. HHSN266200500042C. The content of this newsletter does not necessarily reflect the views or policies of the Department of Health and Human Services, nor does mention of trade names, commercial products, or organisations imply endorsement by the U.S. Government

Commercial momentum improves financial performance

Starpharma has recorded a 45% improvement in consolidated net loss to A\$4.1 million, with cash burn (net cash outflow before new capital) for the year reducing to A\$2.9 million. This result is indicative of the strategic focus of the Executive Team to build Starpharma's partnering revenues, and careful management of operating costs. The Company's cash balance strengthened to A\$11.6m at 30th June, after the A\$7.1 million capital raising was successfully closed in May.

“This is an extremely encouraging result for Starpharma and one that reflects the Company's increasing commercial momentum,” said CFO Nigel Baade.

“This is the first year Starpharma has achieved A\$2 million in royalty and licensing revenues from our partners, which include SSL International and Siemens Healthcare. In combination with our ongoing grants from the US National Institutes of Health (NIH), these commercial revenues offset a major proportion of our development costs in advancing products to market,” he added.

The signing of a collaborative research, license and commercialisation agreement with Elanco in May this year will also see Starpharma receiving revenue from research fees, milestone payments and royalties on sale of any product developed.

	2009	2008
Financial Summary	\$M	\$M
Royalty, customer & license revenue	2.0	1.4
Grant, interest & other income	7.8	8.5
Total revenue and income	9.8	9.9
Net loss	(4.1)	(7.5)
Net cash outflow before new capital (“Cash Burn”)	(2.9)	(6.1)
New share capital net proceeds	7.0	3.5
Cash at Bank	11.6	7.5

Starpharma outperforms the market and its peers

Starpharma's increasing commercial momentum has translated into the strengthening of share price performance with trading volumes consistently rising since March 2009.

In recent months a number of new institutions have become Starpharma shareholders. This demonstrates a growing awareness of the short, medium and long-term potential

of the Company with investors. In the analysis in Figure A prepared by Deloitte, the graph illustrates that Starpharma has outperformed the ASX 300 Healthcare Index and the majority of its biotech peers in the 12 months to 4 September 2009.

Figure A

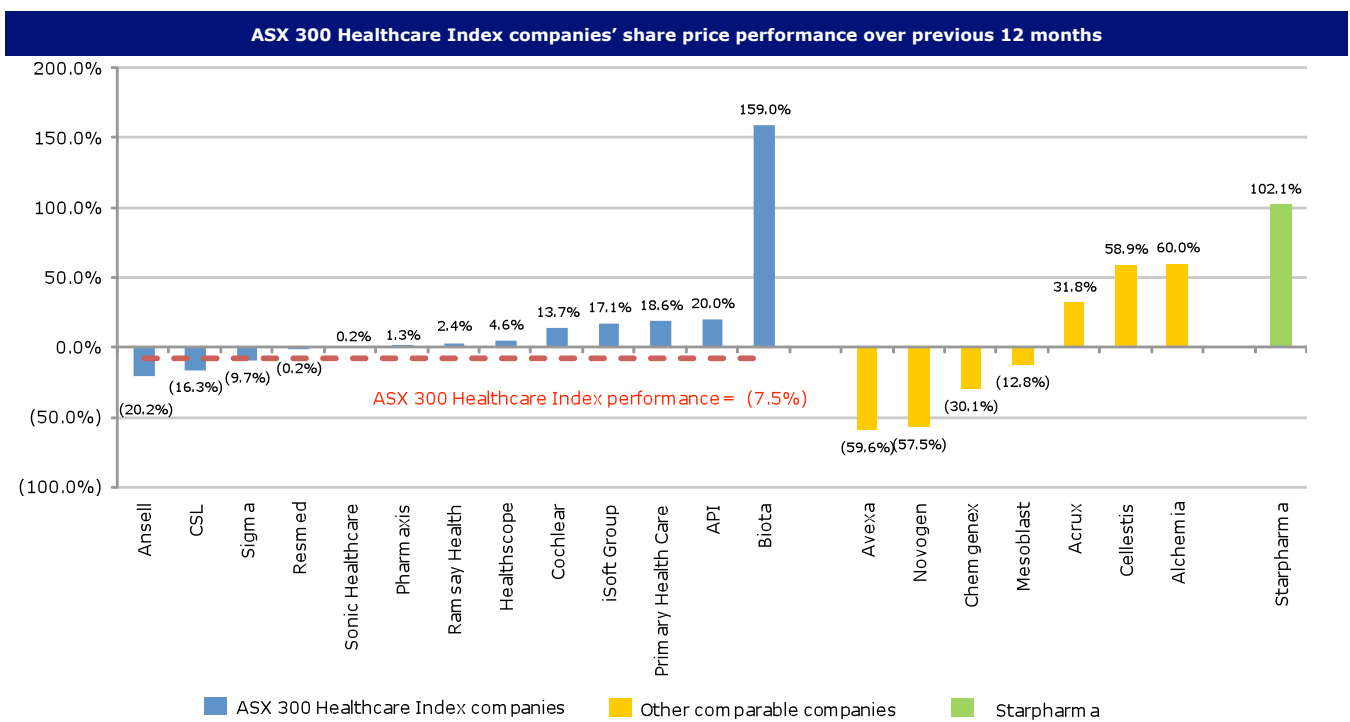


Figure B Starpharma's strengthening share price performance and rising trading volumes



Figure B



The Australian's Criterion columnist Tim Boreham rates Starpharma a speculative buy

Following recent developments, Tim Boreham from The Australian's Criterion column rated Starpharma a speculative buy on two separate occasions in July and August.

He said: "Speaking of protection, the coated-condom creator is striving to earnings greatness on back of its approach of using a technology platform to develop any number of medical (and other) applications." (28 July 2009)

DNT Commercial team strengthened



Starpharma welcomes Jeffrey Linn to the team as Vice President for Business Development at DNT. In his new role Jeff will be responsible for growing DNT's revenues through product sales and new license arrangements.

Jeff is a chemistry graduate of Indiana University and has an impressive record of achievement in business development, sales and

marketing in fine chemicals and industrial chemicals and technology driven industries over the past 20 years. He began his career at Dow Chemical in Chicago, and other highlights include 12 years in global sales and marketing roles with Great Lakes Chemical Company, and six years as Vice President of

Marketing and Sales for Vanguard Solutions Inc., a specialty chemicals distributor. Jeff has specialist product knowledge across a range of chemistry related areas including: specialty chemical additives, paints and coatings, polymers, industrial resins, pharmaceutical and agricultural chemicals, solvents and fine chemical synthesis. This product knowledge, together with a strong background in negotiating licensing contracts and supply agreements makes Jeff a highly valued addition to the Starpharma Commercial team.

About Starpharma

Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY) is a world leader in the development of dendrimer technology for pharmaceutical, life-science and other applications. SPL has two operating companies, Starpharma Pty Ltd in Melbourne, Australia and DNT, Inc in the USA. Products based on SPL's dendrimer technology are already on the market in the form of diagnostic elements and laboratory reagents through license arrangements with partners including Siemens and Merck KgA.

The Company's lead pharmaceutical development product is VivaGel® (SPL7013 Gel), a vaginal microbicide designed to prevent the transmission of STIs (sexually transmitted infections), including HIV and genital herpes. In September 2008 Starpharma signed a full license agreement with SSL International plc (LSE:SSL) to develop a VivaGel® coated condom. SSL manufactures and sells Durex® condoms, the market-leading condom brand worldwide. Starpharma's receipts under the agreement are estimated to exceed A\$100m comprising royalties on SSL sales, further milestone payments, and development support.

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