

Shareholder Update: October 2010

Welcome to the third Starpharma Shareholder Update for 2010. This issue provides an update on activity including:

- Starpharma's annual financial results;
- the expansion of Starpharma's business development team;
- a patent grant in Russia for the VivaGel®-coated condom; and
- a recent journal article by the Burnet Institute highlighting interesting comparative data for VivaGel® against other microbicides.

A message from the CEO

Last quarter saw continued progress of our product development programs. Starpharma commenced its phase 2 study of VivaGel® for the treatment of bacterial vaginosis (BV) in August, following receipt of ethics approval in July. The first patent specifically for the VivaGel®-coated condom was also recently granted in Russia and we see this as a very encouraging sign for patents filed in other markets.

News that our partner for the VivaGel®-coated condom, SSL International, is expected to be acquired by Reckitt Benckiser was also announced during last quarter. Encouraging for Starpharma were the comments by Reckitt Benckiser CEO identifying Durex® as a key brand to drive growth. Additionally, analysts reporting on the transaction have identified the innovation demonstrated by SSL through its product pipeline with partners such as Starpharma as offering future value.

Starpharma released its 2009/10 annual financial results and report in August and a summary of the financials is provided below.

Our drug delivery collaborations continue to progress well and

discussions continue in relation to various other business development initiatives.

We also have a feature interview in this edition with Andrew Liveris, CEO of Dow. Dow has had a longstanding interest in dendrimers and is a major shareholder of Starpharma. Dow was also the creator of some of the early dendrimer technology now in Starpharma's intellectual property portfolio. Globally, Dow has demonstrated a strong commitment to identifying, developing and partnering companies to innovate technologies and solutions.

Finally, we are pleased to have the continued support of a number of highly regarded institutional funds including Orbis, which has progressively increased its investment in SPL to 12.54% in August. Orbis has been a substantial shareholder in Starpharma since November 2009 and was a lead investor in our institutional placement last year.

Regards,
Dr Jackie Fairley
 CEO, Starpharma

Starpharma closes year with strong cash position

For the year ended June 30, the key metric of annual cash burn was \$3.8m adjusting for foreign exchange movements, down from the prior year of \$4.2m. Starpharma's cash reserves are healthy with \$22.8m at year end, after the \$15.6m capital raising completed through an institutional share placement in November 2009. Starpharma reported a net loss after tax of \$6.4m, an increase over last year largely due to expensing of non-cash share-based payments in the current year and foreign exchange gains booked in the prior year.

Despite the difficult financial environment, Starpharma closed the 2009/10 year with a strong cash position and modest cash burn. These results were achieved through a successful capital raising, careful management of expenditure and the growing importance of Starpharma's partnering activities; in which partners such as Lilly fund research at Starpharma, incorporating dendrimers with their pharmaceuticals.

3 Year Financial Summary		Year Ended 30 June		
	2010 \$M	2009 \$M	2008 \$M	
Total revenue & income	5.9	9.8	9.9	
Net loss after tax	(6.4)	(4.1)	(7.5)	
Net cash outflow before new capital (Cash Burn)	(3.9)	(2.9)	(6.1)	
Cash Burn adjusted for exchange rate movements	(3.8)	(4.2)	(5.5)	
Cash at end of year	22.8	11.6	7.5	

Interview with Andrew Liveris, CEO of Dow: A shared vision at the forefront of innovation



“Partnerships and collaborations are absolutely critical for Dow..... Strategic partnerships allow us to extend our reach by allowing us to team up with premier institutions and world-class scientists around the globe.....the most significant products for Dow in the coming years will be the ones with unique and differentiated traits.”

Andrew Liveris, CEO of Dow

Innovation is at the core of Starpharma’s business. Its success as a company is due not only to the technological innovations of Starpharma’s dendrimer platform across its pharmaceutical and industrial applications, but the creative way in which it partners with other companies at the fore of product innovation around the world.

Starpharma recently spoke to Australian-born Andrew Liveris, CEO of Dow, about the importance it places on innovation to ensure future commercial success.

“At Dow, we make sure everyone understands the difference between invention and innovation. While invention might be the initial spark, innovation is the art of perfecting that invention into something useful for our customers,” said Andrew Liveris.

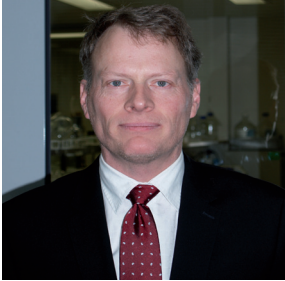
“Without a strong, robust innovation pipeline, Dow would cease to exist. Our customers are constantly searching for new solutions; new ways of creating value and new products that can fuel their growth. That is why we have spent several years rebuilding Dow’s innovation pipeline with an emphasis on developing practical solutions that build off our already strong scientific legacy,” Liveris continued.

“Partnerships and collaborations are absolutely critical for Dow and we are involved in several around the world. As robust a pipeline as we have, we know we cannot invent everything ourselves. Strategic partnerships allow us to extend our reach by allowing us to team up with premier institutions and world-class scientists around the globe.”

According to Liveris the most significant products for Dow in the coming years will be the ones with unique and differentiated traits. “We have the best, most robust pipeline in the industry, with more than 500 projects in our playbook, strategically aligned to global megatrends, and clearly tilted toward our performance and market-driven businesses.”

In 2005 Starpharma, DNT Inc. and Dow signed a three way deal to commercialise dendrimer technology. Through this deal, DNT was assigned from Dow the ownership and access to the world’s broadest patent portfolio in the field of dendrimers. In 2006, Dow became a shareholder in Starpharma with DNT becoming a fully owned subsidiary of Starpharma.

Starpharma expands its pharma business development team to meet increasing demand



Starpharma recently appointed Dr Malcolm McColl as an additional VP Business Development in its pharmaceuticals and life sciences commercialisation team. Dr McColl is an experienced business development professional with over 20 years'

experience at major biotechnology companies, including 13 years with CSL where he negotiated major agreements with Pfizer and Bayer, amongst many others.

The strong demand for dendrimer technology in the pharmaceuticals and life-sciences sectors has been demonstrated by the series of agreements secured by the existing commercialisation team of CEO Dr Jackie Fairley and VP Business Development, Dr Paul Barrett.

The primary objectives of the expanded team are to:

- Increase the number of commercial partnerships relating to Starpharma's established pharmaceutical dendrimer technologies;
- Expand the technologies in new applications, including targeted drug delivery; and
- Expand the scope of existing partnerships.

All these elements are part of an over-arching strategy focussed on using Starpharma's technology to build a sustainable and robust business with a range of potential revenue streams.

UPDATE ON MICROBICIDE DEVELOPMENT – VivaGel® a leader in the field

VivaGel® is being developed for the prevention of HIV and HSV-2 (genital herpes). It has also shown very promising activity against the human papillomavirus (HPV). In August, Starpharma initiated a Phase 2 clinical trial for the treatment of bacterial vaginosis (BV) in the United States. The BV indication represents an exciting and new commercial application for the product.

VivaGel® was also recently featured on the ABC program, New Inventors. To watch the segment, visit Starpharma's website.

VivaGel®-coated condom patent granted in Russia

Starpharma extended its VivaGel® patent portfolio in August with the first patent grant specifically for the VivaGel®-coated condom. An important milestone in the commercialisation of the VivaGel®-coated condom, this grant by the Russian patent office provides coverage until at least 2026. This development is highly relevant with Starpharma's commercial partner, SSL, having the leading position in the Russian condom market.

While VivaGel® and the VivaGel®-coated condom are already protected by a portfolio of granted patents in major markets, this new patent family not only provides additional protection for the condom product but also extends the duration of coverage in each market for which it is granted.

Starpharma has also filed this patent in all major condom markets including the USA, Canada, Europe, China, India and Japan.

In other microbicide development updates....

Burnet Institute study supports the advancement of VivaGel®

The Burnet Institute, one of the world's leading groups focused on research in infectious diseases of global significance, has published a study in the international peer-reviewed science publication, PLoS One. This study supports the advancement of SPL7013 (formulated as VivaGel®) further to protect against sexually transmitted infections including HIV and genital herpes. It carefully details the results of dendrimers as potential microbicides for the prevention of sexually transmitted viruses and supports the belief that topical microbicides are urgently required.

Starpharma's VivaGel® is in clinical development for prevention of HIV and genital herpes, and for the treatment of bacterial vaginosis. In studies conducted by the Burnet Institute, in

collaboration with Starpharma under its US National Institutes of Health (NIH) grant, SPL7013 was found to be more broadly active against important clinical strains of HIV than has been seen previously for some other microbicides. Importantly, the antiviral activity of SPL7013 was not affected by biological fluids. Unlike some other candidate microbicides that failed in their clinical development, VivaGel® did not increase genital herpes (HSV-2) infection *in vivo*, which is a key safety hurdle for new products.

CAPRISA's tenofovir study a positive step in the development of microbicides for HIV prevention

Microbicides are in development by a number of groups around the world and there are a range of product types under consideration that, if successful, will be suited to a variety of different populations.

Other than Starpharma's VivaGel®, the most advanced product in development is a gel based on tenofovir, an HIV specific antiretroviral drug currently used in the treatment of HIV. Recently, a study conducted by CAPRISA (Centre for the AIDS

Programme of Research in South Africa) showed positive trial results, although the findings will require additional studies before they can be confirmed.

We view this achievement as a positive development – both for Starpharma and the wider research community – as for the first time it proves the concept that a vaginally administered microbicide can reduce the risk of sexually transmitted infections including HIV.

***Microbicide:** A microbicide is any compound or substance whose purpose is to reduce the infectivity of microbes, such as viruses or bacteria.*

About Starpharma

Starpharma Holdings Limited (ASX: SPL, OTCQX:SPHY) 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 also has agreements in place with Lilly, Elanco and Stiefel Laboratories (a GSK Company), as well many research collaborations with some of the world's leading organisations.

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