

Shareholder Update: May 2010

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

- an overview of the potential of Starpharma's drug delivery portfolio;
- successful completion of a VivaGel® study in sexually active women;
- the latest on the VivaGel® bacterial vaginosis program;
- financial update as announced in the recent quarterly cash flow report;
- improving condom sales and market position for the Company's partner SSL International.

Partnered programs in drug delivery and agrochemicals...a growing asset

Investors know Starpharma best for its VivaGel® vaginal microbicide and the VivaGel®-coated condom. However over the last few years, while advancing these, Starpharma has also focused on new areas of exploitation of its technology via commercial partnerships - dendrimer drug delivery and agrochemicals.

As mentioned in previous Shareholder Updates dendrimers can carry a "payload" of drug molecules on their surface. This capability can be used to extend a drug's activity in the body, to deliver pharmaceuticals to a target organ or tissue or improve formulations, and also offers partners the ability to extend patent life.

Starpharma's commercial strategy has been to partner with leading companies, with the aim of combining a partner's pharmaceuticals/agrochemicals with Starpharma's dendrimers to yield enhanced products. The company has so far announced drug

delivery deals with Eli Lilly and Co, GSK's Stiefel, and Elanco, and an agrochemicals deal with a prominent multi-billion dollar US-based company. A number of other undisclosed collaborations and evaluations have also been established. Starpharma has recently recruited additional staff at its Melbourne site to meet increasing demand for these programs.

Each new program represents an opportunity for substantial potential returns for the company: there is increasing recognition amongst analysts and investors that the drug delivery and partnered programs represent growing value for Starpharma and its shareholders.

In conclusion there is already a very healthy set of commercially interesting programs underway, and the company anticipates that the scope of its collaborations will be further extended over the coming year.

Starpharma's dendrimers: a novel mechanism of drug delivery

Starpharma's Melbourne-based chemistry team in collaboration with a team of researchers from the Monash Institute of Pharmaceutical Science (MIPS) has recently shown that its proprietary dendrimers, a new type of nano-sized drug delivery system, can be tailored to target either the lymphatic system or the bloodstream.

This exciting discovery has particular implications for the treatment of diseases which spread via the lymphatics such as cancer, HIV, certain viral diseases, and lymphatic conditions. The ability to target pharmaceuticals in this manner offers the potential to maximise drug concentrations at sites of action while minimizing concentrations elsewhere, potentially reducing side effects and toxicity and resulting in improved patient outcomes.

Starpharma also recently filed a patent which covers selective targeting of the liver by dendrimers which can be turned off or on, at will. This discovery is an important finding in the field of drug delivery and demonstrates a novel feature of Starpharma's dendrimers not previously reported with any other nanoparticles.





Successful completion of VivaGel® study in sexually active women

Successful completion of the latest clinical study of VivaGel® (SPL7013-006) was announced on 12 March 2010. This was Starpharma's first study in sexually active women, and the positive findings provide further evidence of the safety and tolerability of the VivaGel® active ingredient, SPL7013. The results will support its development as both a stand-alone gel and as a condom coating

The study enrolled 61 healthy women who vaginally applied VivaGel®, a matched placebo gel without the SPL7013 active ingredient, or an alternative experimental placebo based on hydroxyethyl cellulose (HEC). Results from all three groups were found to be comparable, and there was no statistically significant difference in the proportion of women with symptoms related to administration of gels.

Further analyses from that study have demonstrated that the active ingredient of VivaGel®, SPL7013, was not absorbed systemically following vaginal administration, even after twice daily dosing for 14 days, confirming previous clinical and nonclinical study results that indicate the drug remains at the intended site of action, and that the risk of systemic effects is negligible.



Bacterial vaginosis clinical program on schedule

In the February 2010 Investor Update, Starpharma reported its plans to initiate a clinical trial program for VivaGel® as a treatment for and for the prevention of recurrence of bacterial vaginosis (BV) – the most common vaginal infection globally, and the most common cause of vaginal irritation, discharge, and malodour.



The Company has already appointed a clinical research organisation to conduct the Phase 2 trial, and is in the process of qualifying study sites. These pre-study activities are underway following the completion of the pre-IND (investigational new drug) process with the US FDA, and meetings with other regulatory agencies. Feedback from these meetings has been positive and helpful in refining the clinical trial design and study protocol. These interactions with the regulatory authorities ensure the development pathway is agreed and the eventual drug approval process efficient. We anticipate enrolling the first participant in this study mid-year.

The BV clinical trial program is complementary to the program for development of VivaGel® for the prevention of sexually transmitted infections, both as a stand-alone product and a condom-coating.

Starpharma's commercial partner SSL International builds condom sales

SSL International (SSL) recently provided an update to the London Stock Exchange for the year to 31 March 2010. The update advised that SSL expects reported sales for their financial year to be in the region of £795 million (A\$1.14 billion) - more than 22% up on the same period last year.

This increase includes the impact of SSL's acquisitions in Russia and Ukraine. Improvements in sales of Durex® branded condoms were notable in particular in China, Poland and Germany.

Starpharma has partnered with SSL to co-develop and market the VivaGel®-coated condom. SSL manufactures and sells Durex® condoms worldwide, and holds approximately 40-42% of the global branded condom market.

SSL has exclusive marketing rights to the VivaGel®-coated condom in most of the world, including Europe and the USA.

Starpharma believes that the potential return from this arrangement has strengthened following a number of developments, including the above mentioned improvement in SSL's market position and global sales of Durex® branded condoms.

Starpharma CEO Jackie Fairley said: "The growth in SSL's branded condoms sales and market position, both in their mature markets and developing markets has positive consequences for Starpharma and the VivaGel®-coated condom."

Starpharma is in active discussions with various parties regarding commercial rights to the VivaGel®-coated condom for remaining markets.



Financial update

The reported cash balance at 31 March 2010 was A\$23.7M; a decrease of A\$0.6M from the 31 December 2009 total of A\$24.3M and is in-line with financial projections.

The operating and investing cash outflow is A\$4.0M for the rolling 12 months to 31 March 2010.

Income from customers including SSL International, Siemens Healthcare and Elanco, continues to contribute to the company minimising cash burn and supporting ongoing investment into the development of VivaGel® including for the new indication for bacterial vaginosis.



Research coverage

In recent months a number of Australian healthcare analysts have published research coverage of Starpharma. Some of the comments to come out of the reports include:

- “Starpharma provides excellent exposure to the biotech sector, without the development and expenditure risks attributable to late stage therapeutic companies.”
- “Starpharma is one of the few companies in the Australian biotechnology sector that has what we consider to be a true technology platform which can be used for a wide range of healthcare and industrial applications.”

- “A significant commercialisation deal in 2008 and the start of revenue generation now focuses investor attention.”

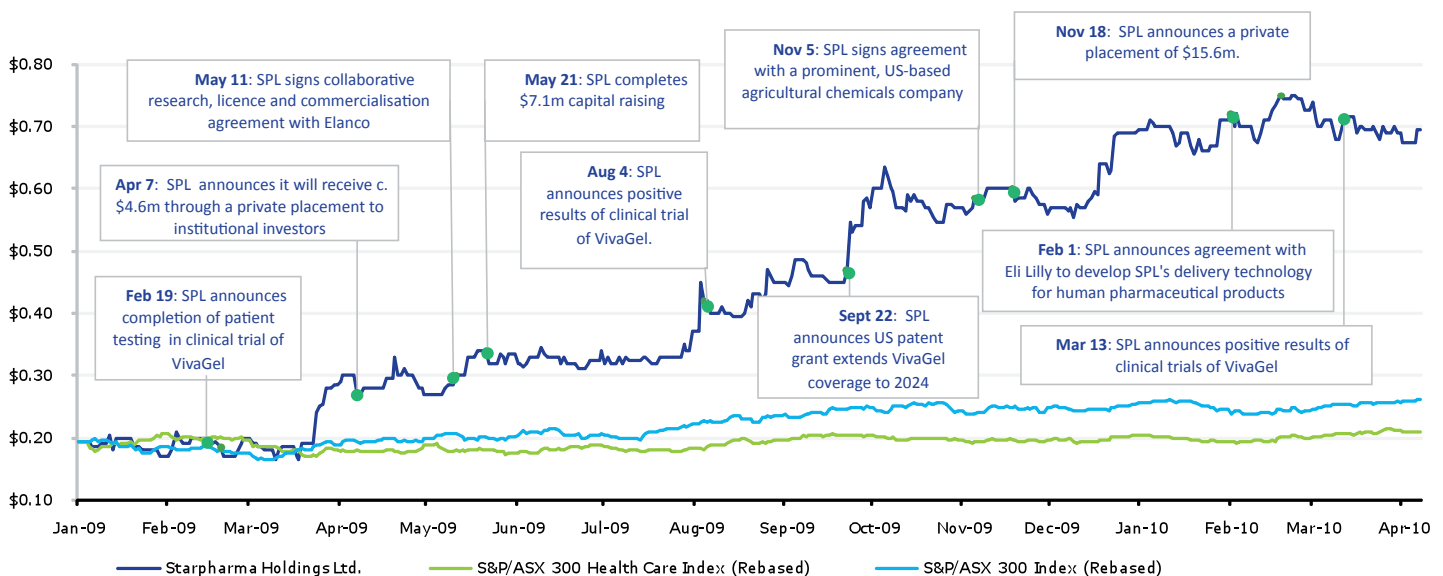
Shareholder requests for copies of these analyst reports can be emailed to info@starpharma.com

For a summary of current valuations and price targets of analyst reports see Starpharma’s website:

http://www.starpharma.com/data/100428_Broker_Analysis_and_Commentary.pdf

Starpharma’s share price performance over the last 15 months, with key announcements indicated.

Share Price Performance – Since 1 January 2009



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 also has agreements in place with Eli Lilly and Co, Elanco and Stiefel Laboratories (a GSK Company), as well many research collaborations with some of the world's leading organisations-

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