

Shareholder Update: June 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 edition of the Starpharma Shareholder Update details important recent developments for Starpharma including:

- Successful \$7.1 million capital raising taking the company's cash reserves to approximately \$12 million;
- The increased global market share of SSL International, our partner for the VivaGel® -coated condom;
- The signing of a deal with Eli Lilly's animal health company Elanco; and
- Starpharma's DNT becomes cash flow positive.

Starpharma's partner SSL International strengthens position in global condom market

Starpharma's partner for the VivaGel® -coated condom SSL International (LSE: SSL), owner of the world's leading condom brand Durex®, has strengthened its position in the global condom market with news that it has acquired majority ownership of two market leading companies in Russia and Eastern Europe.

This move secures SSL greater coverage in the vast Russian condom market in which one of these companies has an estimated 60% market share. This is great news for Starpharma, says CEO Dr Jackie Fairley. *"As we continue to work with SSL to finalise development of the VivaGel®-coated condom, the capture of additional market share by SSL is a very positive development. Anything that strengthens SSL's market access for the product will impact favourably on Starpharma's returns."*

In its preliminary results for the year ending 31 March, SSL said the estimated full year impact would have been to increase sales by over £110 million, with branded condoms and lubricants sales representing approximately 50% of this amount. This development represents a significant boost for Starpharma's exposure to the market

once the VivaGel® -coated condom is launched. Under the agreement with SSL, Starpharma receives milestone payments and royalties on SSL sales of product.

Despite current general economic conditions, SSL has continued to grow, particularly in the condom market with its sales of Durex® condoms increasing by 5.5% for the year end March 31 2009. Furthermore the company

has demonstrated that it is committed to growth through innovation. SSL CEO Garry Watts said: *"By growing sales of our brands through innovation... we are now aiming at a new target for the three years to March 2012 of growing Earnings per Share by at least 50%."*



SSL's continued growth and commitment to innovative products is extremely positive for Starpharma.

Starpharma adds \$7 million to balance sheet

Starpharma has successfully raised \$7.1 million in capital with the completion of a share placement to institutional and sophisticated investors, together with proceeds raised from its share purchase plan (SPP). *(cont pg 2)*

Starpharma adds \$7 million to balance sheet (continued from pg 1)

Acorn Capital led the placement, with a leading Australian institution and a significant European fund among a number of new institutions participating. The final result of the placement was A\$5.1 million.

A\$2 million was raised through the SPP which gave retail shareholders the opportunity to purchase shares at the same price as the institutional placement.

Dr Jackie Fairley, CEO of Starpharma said that the Starpharma Board and Management were very pleased by the level and depth of support by both institutional and retail shareholders in this financing.

The capital raising has significantly strengthened the company's balance sheet taking the company's cash reserves to approximately \$12 million. The funds raised will be instrumental in advancing the development and commercialisation of the VivaGel[®]-coated condom with partner SSL and VivaGel[®] as a stand-alone product.



BID	OFFER	LAST	VOL	STOCK	BID	OFFER
11.20	11.21	11.21	291	111111 COMM	1.339	1.33
11.975	11.98	11.99	281	111111 FTS	1.211	1.22
11.057	11.116	11.1157	11	111111	-	-
11.105	11.1189	11.1155	281	111111 FREE	1.545	1.55
11.092	11.1184	11.1184	181	111111	-	-
11.014	11.1115	11.1115	11	111111	3.555	3.56
11.99	3.84	3.84	11	111111 LHR	2.411	2.42
11.25	11.35	11.35	11	111111	11.255	11.26
11.59	3.58	3.58	1111	111111	11.315	11.32
11.14	2.15	2.14	1111	111111 RFS	11.19	11.20
11.005	1.81	1.58	211	111111	11.115	11.12
11.51	3.57	3.51	11	111111	3.87	3.88
11.475	0.49	0.49	241	111111	11.515	11.52
11.15	0.19	0.19	101	111111	11.155	11.16

Starpharma in partnership with leading animal health company Elanco

Last month, the company announced a further drug delivery deal, this time with the animal health division of pharmaceutical giant Eli Lilly and Company, Elanco.

Vice President Business Development for Starpharma Dr Paul Barrett said "The parties will collaborate to develop new animal health products with enhanced properties using Starpharma's dendrimer technology. Under the agreement, Starpharma will receive revenue from research fees, and is eligible for milestone payments and royalties on the sale of any product developed," Dr Barrett said. "Starpharma will retain all rights to this technology in humans," he added.

Elanco is a global research-based company that develops and markets products to improve animal health and food animal production in 75 countries. Elanco employs more than 2,000 people worldwide, with offices in more than 30 countries, and is a division of Eli Lilly and Company, a leading innovation-driven pharmaceutical corporation.

The animal health sector is growing at more than 11.4% per annum, generating US\$19 billion in sales. The demand for improved products, particularly more efficient drug delivery technology, is a high priority for the industry and the subject of intense R&D globally.



Partnering strategy

The Elanco deal is a further example of Starpharma's partnering strategy for its dendrimer technology. The company also has commercial and research agreements for its dendrimers with a range of internationally recognised companies including:

- SSL International (Durex®)
- Siemens (Dade Behring)
- EMD Merck
- Stiefel Inc
- Unilever
- Qiagen
- Sigma Aldrich

SSL International plc



Starpharma has also received substantial support from US National Institutes of Health, which have provided in excess of US\$25m in development funding for VivaGel®.

The benefit of a partnering strategy, says Dr Fairley, is that Starpharma can extend the development of its product portfolio through licences, while managing cash burn more effectively. Equally important is that it allows the company to accelerate its product pipeline development and leverage the networks and expertise of its partnerships in terms of regulatory and commercial contacts.

DNT CASH FLOW POSITIVE

Following the full integration of DNT's operations in late 2008, Starpharma is pleased to report that DNT is now significantly cash flow positive, with free operating cash flow from DNT approximately US\$500,000 on an annualised basis. Its primary revenues are royalty bearing licenses from Siemens (Dade), Qiagen and EMD Merck, with contributions from the US Department of Defense for its water remediation program. DNT also continues to actively engage with new commercial partners to capitalise on the broad range of potential opportunities for its technology.



VivaGel® Retention of Activity Study – Update

In March this year the company announced the completion of patient testing in a clinical trial designed to explore the length of time the antiviral activity of VivaGel® remains after vaginal administration. This study is intended to determine how long before sex VivaGel® could be applied to prevent infection by HIV and HSV-2 (genital herpes).

Analysis of the laboratory samples and study data is progressing well with encouraging preliminary pharmacokinetic data obtained. Data continues to support preliminary findings which indicated that the gel was safe and well tolerated by the study participants. The Company expects to be able to release the full results in the near future.

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 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 licence 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, including HIV and genital herpes. In September 2008 Starpharma signed a full licence 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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