starpharma

ASX Announcement

Starpharma Interim Report and Half-Year Financial Results

Melbourne, Australia; 25 February 2021: Starpharma (ASX: SPL, OTCQX: SPHRY) today released its interim report and financial results for the half-year ended 31 December 2020.

Key Financials

- Cash balance at 31 December 2020 $70.3M (June 2020 $30.1M)
- $47.0M net proceeds from equity placement and share purchase plan
- Net operating cash outflows of $5.4M (pcp: $5.2M)
- Receipt of $5.7M R&D tax incentive
- Reported loss for half-year of $10.4M (pcp: $5.9M*). *Prior period included US$3 million AstraZeneca DEP® milestone

VIRALEZE™

- Starpharma completed development of VIRALEZE™, its antiviral nasal spray. Device components were selected; branding created; artwork and packaging finalised; and European manufacturer contracted.
- VIRALEZE™ European dossier was completed, and the product was successfully registered in Europe.
- Manufacture of launch batches of VIRALEZE™ is underway, ahead of launch in Q1 CY21.
- Marketing, e-commerce and B2B arrangements are well advanced to achieve product launch as soon as possible after regulatory approval. Licensing discussions have also progressed in parallel with launch preparations for certain jurisdictions.
- Further antiviral testing of SPL7013 confirmed SPL7013 is virucidal, inactivating more than 99.99% of SARS-CoV-2, the virus that causes COVID-19. SPL7013 also demonstrated potent activity in respiratory pathogen RSV (respiratory syncytial virus) and influenza.
- The Medical Research Future Fund (MRFF) awarded Starpharma $1 million in matched grant funding for VIRALEZE™ following selection from more than 100 applications by an international industry panel.
- Starpharma commenced a human study for VIRALEZE™ which is due to be completed in March. The study is designed to support commercialisation activities for VIRALEZE™.

VivaGel®

- VivaGel® BV achieved TGA approval for an expansion of the marketing authorisation for VivaGel® BV (Fleurstat BVgel) to include the indication of prevention of recurrent bacterial vaginosis – bringing the approved indications for VivaGel® BV (Fleurstat BVgel) in line with those in Europe and Asia.
- VivaGel® BV was launched in the Nordic region, new regulatory approvals were also received for countries in Africa and the Middle East, and further submissions are underway. The formal FDA review is ongoing, and COVID-19 has had an impact on timing.
- Aspen's Fleurstat BVgel campaign was awarded the 2020 Diamond Award for *Best Launch of a Consumer Healthcare Product*.

pcp: prior corresponding period

DEP® Drug Delivery Platform

- AstraZeneca advised Starpharma of its planned expansion of the clinical DEP® program for AZD0466 to a global multi-centre study with an initial focus on haematological cancers.
- Signed a Research Agreement with Merck & Co., Inc (MSD) to conduct a preclinical research evaluation of dendrimer based Antibody Drug Conjugates (ADCs) utilising DEP® technology.
- DEP® irinotecan phase 2 trial progressed, with encouraging efficacy signals observed for a number of tumour types, including breast, colorectal, ovarian, pancreatic, lung and oesophageal cancer. Preparations continue for the addition of clinical combinations with DEP® irinotecan, thereby expanding the market opportunity.
- DEP® docetaxel clinical trials progressed with encouraging efficacy signals observed, including prolonged stable disease and tumour shrinkage in patients with pancreatic, oesophageal and gastric cancer. DEP® docetaxel + gemcitabine combination study commenced following compelling DEP® preclinical data and investigator interest.
- DEP® cabazitaxel phase 2 trial progressed, with encouraging efficacy signals observed, including stable disease, significant target tumour shrinkage and substantial tumour marker reductions (e.g. PSA), in cancers including prostate, ovarian, lung, gastro-oesophageal, head and neck and other cancers.
- Signed and commenced a new DEP® partnership with leading Chinese company Chase Sun to develop several DEP® nanoparticle formulations for an anti-infective drug with the view of enhancing its performance and expanding its therapeutic utility.
- Developed and patented a DEP® version of Gilead's remdesivir (Veklury®) with reduced injection volume and pharmacokinetic characteristics.
- Progress and expansion of several internal DEP® pipeline programs, including ADCs and radiopharmaceutical candidates for both therapeutic and diagnostic applications.
- Starpharma's laboratory and internal operations continued to operate with minimal disruption, under a COVID safe plan.

Starpharma concluded the half-year in a very strong financial position with a cash balance of $70.3 million. The cash balance includes the net proceeds of $47.0 million from the completion of an equity placement and share purchase plan in the half-year.

Net cash outflows from operations of $5.4 million (pcp: $5.2 million) include costs of the internal DEP® drug delivery programs, including DEP® docetaxel, DEP® cabazitaxel, and DEP® irinotecan, and expenditure on VIRALEZE™ antiviral nasal spray.

Starpharma's CEO, Dr Jackie Fairley, commented: "We achieved multiple significant milestones in the recent period, with the rapid development of VIRALEZE™ and signing two new DEP® partnerships, with Merck & Co., Inc in the area of ADCs, and with Chase Sun in the area of anti-infectives. These new partnerships illustrate the broad applicability of the DEP® platform and its use for multiple therapeutic areas. We also progressed our other partnered DEP® programs and recently announced AstraZeneca's global expansion of its phase 1 trial for DEP® AZD0466 which is designed to expedite the development of this exciting novel drug".

"Internally, we also saw good progress in the clinical trial programs for DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan – and we have continued to observe encouraging efficacy signals in each of these programs."

Dr Fairley concluded: “We recently registered VIRALEZE™ in Europe, ahead of our original schedule. The rapid development of this novel product is a significant achievement. We are seeking to bring VIRALEZE™ to consumers and businesses as early as possible and anticipate the product will be available next month. We will focus on making VIRALEZE™ as widely available as possible given its potential to assist in the fight against the global pandemic,” concluded Dr Fairley.

About Starpharma

Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY) is a global biopharmaceutical company and a world leader in the development of new pharmaceutical and medical products based on proprietary polymers called dendrimers, with programs for COVID-19, DEP® drug delivery and VivaGel®. Starpharma has developed VIRALEZE™, an antiviral nasal spray for COVID-19, which is complementary to vaccines and other preventative measures such as distancing and PPE. VIRALEZE™ is registered in the UK/Europe, with launch of product expected in Q1 CY2021. SPL7013 is utilised in approved products - the VivaGel® condom and VivaGel® BV. VivaGel® BV has been licensed in >160 countries, is approved in >40 countries and available for sale in the UK, Europe, South East Asia, Australia and New Zealand.

As a leading company in dendrimer based drug delivery, Starpharma’s proprietary drug delivery platform technology, DEP®, which is being used to improve pharmaceuticals, to reduce toxicities and enhance their performance. There are numerous internal and partnered programs underway to develop DEP® versions of existing drugs, particularly in the area of anti-cancer therapies. DEP® partnerships include oncology programs with AstraZeneca, with Merck in the area of Antibody Drug Conjugates (ADCs), with Chase Sun in the area of anti-infectives and other world leading pharmaceutical companies Starpharma’s partnered DEP® programs have the potential to generate significant future milestones and royalties.

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Disclosure
This ASX Announcement was authorised for release by the Board of Directors.

Forward Looking Statements
This document contains certain forward-looking statements, relating to Starpharma’s business, which can be identified by the use of forward-looking terminology such as “promising”, “plans”, “anticipated”, “will”, “project”, “believe”, “forecast”, “expected”, “estimated”, “targeting”, “aiming”, “set to”, “potential”, “seeking to”, “goal”, “could provide”, “intends”, “is being developed”, “could be”, “on track”, or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA’s and other authorities’ requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any authorities for sale in any market or that they will reach any particular level of sales. In particular, management’s expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected trial results, including additional analysis of existing data, and new data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Starpharma is providing this information as of the date of this document and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise. Clinical case studies and other clinical information given in this document are given for illustrative purposes only and are not necessarily a guide to product performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of future results. Nothing contained in this document nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of any Starpharma product.

Starpharma Holdings Limited

ABN 20 078 532 180

Interim Report – 31 December 2020

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2020 Annual Report and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Contents

Results for Announcement to the Market

Starpharma Holdings Limited ABN 20 078 532 180

Half-year ended 31 December 2020

Previous corresponding period: Half-year ended 31 December 2019

Revenue *(Appendix 4D item 2.1)*	Down	89%	to	$638,000
Loss after tax attributable to members *(Appendix 4D item 2.2)*	Up (increased loss)	78%	to	$10,430,000
Net Loss for the period attributable to members *(Appendix 4D item 2.3)*	Up (increased loss)	78%	to	$10,430,000

Dividends/distributions *(Appendix 4D items 2.4 and, 2.5)*	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend: Not Applicable

No dividends have been paid or declared by the entity since the beginning of the current reporting period. No dividends were paid for the previous corresponding period.

Explanation of revenue

(Appendix 4D item 2.6)

Revenue includes product sales, royalty, and research revenue from commercial partners of $486,000 (December 2019: $5,353,000); and interest income on cash invested in term deposits of $152,000 (December 2019: $318,000). The revenue in the prior half-year included US$3 million on AstraZeneca triggering a development milestone for the first dose of AZD0466 administered in the phase 1 trial of its first DEP® product.

Explanation of net loss

(Appendix 4D item 2.6)

The consolidated loss after tax for the half-year to 31 December 2020 was $10,430,000 (December 2019: $5,863,000). The net loss is higher than the prior period predominately due to the lower revenue, with a US$3 million AstraZeneca DEP® milestone for AZD0466 in the prior half-year.

Research and product development expenses were $7,497,000 (December 2019: $7,316,000) and include the internal DEP® drug delivery programs, including DEP® docetaxel, DEP® cabazitaxel, and DEP® irinotecan, and expenditure on VIRALEZE™ antiviral nasal spray. A contra research and product development expense of $3,415,000 (December 2019: $2,957,000) has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program. Commercial and regulatory operating expenses were $1,406,000 (December 2019: $1,989,000) and include the expenditure related to the commercialisation of both VivaGel® and DEP® portfolios, including business development, legal, regulatory, supply chain and quality assurance activities.

Corporate, administration and finance expenses were $2,539,000 (December 2019: $1,579,000) and include corporate costs, as well as gains/losses on foreign currency held. The increase over the prior period reflects a foreign currency loss of $928,000 (December 2019: $95,000 gain) primarily on the deprecation of the US dollar against the Australian dollar.

Net tangible assets

(Appendix 4D item 3)

	Half-year ended 31 December	
	2020	2019
Net tangible asset backing per ordinary share	**$0.17**	$0.10

The above NTA backing calculation is considered a non-IFRS value in accordance with Australian Accounting Standards and has not been audited or reviewed.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2020 half-year financial statements. This report is based on the consolidated 2020 half-year financial statements which have been reviewed by PricewaterhouseCoopers (the Company's auditor) with the Independent Auditor's Review Report included in the 31 December 2020 half-year financial statements.

Directors' Report

The directors are pleased to present this report on the consolidated entity (referred to hereafter as the group or the Company) consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Starpharma Holdings Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

R B Thomas, AO (Chairman)
J K Fairley (Chief Executive Officer)
R A Hazleton (retired 20 November 2020)
Z Peach
P R Turvey
D J McIntyre

Principal activities

The principal activities of the group consist of research, development and commercialisation of dendrimer products for pharmaceutical, life-science and other applications. Activities within the group are directed towards the development of precisely defined nano-scale materials, including the development of VivaGel® for the management and prevention of bacterial vaginosis, as an antiviral condom coating, and VIRALEZE™ - an antiviral nasal spray. Starpharma is also applying its proprietary dendrimers to drug delivery to create improved pharmaceuticals and has developed the valuable DEP® delivery platform.

Business strategy, future developments and prospects

The Company aims to create value for shareholders through the commercial exploitation of proprietary products based on its patented dendrimer technology in pharmaceutical applications. The Company's key focus is to advance and deepen its product development pipeline, including internal and partnered DEP® programs and to commercially exploit SPL7013, the active in VivaGel® and VIRALEZE™. Starpharma achieves this by continuing to utilise a combination of internally funded and partnered projects across the portfolio. The Company commercialises its development pipeline with corporate partners via licensing agreements at various stages in a product's development lifecycle; depending on the product, market dynamics, a partner's commercial strategy and relative strength of product and market expertise, comparison of current and future potential returns, and the risks involved in advancing the product to the next value inflection point or milestone.

Starpharma's strategy remains consistent with the previous period. The Company continues to focus on the development of the high-value DEP® portfolio and Starpharma remains well positioned to capture value from its technology in the short to medium term. Starpharma has extensive expertise, a strong intellectual property portfolio, a deep product portfolio, a culture and ability to innovate and apply its technology platform to commercial opportunities, appropriate risk management practices, and a strong cash position. The Company will continue using its cash resources to invest in selected research and development and commercialisation activities to achieve its objectives.

Dividends

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous corresponding period.

Review of operations

Key highlights and significant events until the date of this report included:

VIRALEZE™

- Antiviral active, SPL7013, was reformulated into a COVID-19 nasal spray - VIRALEZE™. Device components were selected; branding was created under the trademarked name VIRALEZE™; artwork and packaging were finalised; and manufacturer was contracted.
- VIRALEZE™ European dossier was completed, and the product was successfully registered in Europe.
- Manufacture of launch batches of VIRALEZE™ is underway, ready for market, as planned for Q1 CY21. Marketing, e-commerce and B2B arrangements are well advanced to achieve product launch as soon as possible after regulatory approval. Licensing discussions have also progressed in parallel with launch preparations for certain jurisdictions.
- The Medical Research Future Fund (MRFF) awarded Starpharma $1 million in matched grant funding for VIRALEZE™ following selection from more than 100 applications by an international industry panel.
- Further antiviral testing of SPL7013 confirmed SPL7013 is virucidal, inactivating more than 99.99% of SARS-CoV-2, the virus that causes COVID-19. SPL7013 also demonstrated potent activity in respiratory pathogen RSV (respiratory syncytial virus) and influenza.
- Starpharma commenced a human study for VIRALEZE™ which is expected to be completed in March. The study is designed to support commercialisation activities for VIRALEZE™.

VivaGel®

- VivaGel® BV achieved TGA approval for an expansion of the marketing authorisation for VivaGel® BV (Fleurstat BVgel) to include the indication of prevention of recurrent bacterial vaginosis – bringing the approved indications for VivaGel® BV (Fleurstat BVgel) in line with those in Europe and Asia.
- VivaGel® BV was launched in the Nordic region, new regulatory approvals were also received for countries in Africa and the Middle East, and further submissions are underway. The formal FDA review is ongoing, and COVID-19 has had an impact on timing.
- Aspen's Fleurstat BVgel campaign was awarded the 2020 Diamond Award for *Best Launch of a Consumer Healthcare Product*.

DEP® Drug Delivery Platform

- DEP® irinotecan phase 2 trial progressed, with encouraging efficacy signals observed for a number of tumour types, including breast, colorectal, ovarian, pancreatic, lung and oesophageal cancer. Preparations continue for the addition of clinical combinations with DEP® irinotecan, thereby expanding the market opportunity.
- DEP® docetaxel clinical trials progressed with encouraging efficacy signals observed, including prolonged stable disease and tumour shrinkage in patients with pancreatic, oesophageal and gastric cancer. DEP® docetaxel + gemcitabine combination study commenced following compelling DEP® preclinical data and investigator interest.
- DEP® cabazitaxel phase 2 trial progressed, with encouraging efficacy signals observed, including stable disease, significant target tumour shrinkage and substantial tumour marker reductions (e.g. PSA), in cancers including prostate, ovarian, lung, gastro-oesophageal, head and neck and other cancers.
- AstraZeneca advised Starpharma of its planned expansion of the clinical DEP® program for AZD0466 to a global multi-centre study with an initial focus on haematological cancers.
- Signed a Research Agreement with Merck & Co., Inc (MSD) to conduct a preclinical research evaluation of dendrimer based Antibody Drug Conjugates (ADCs) utilising DEP® technology.
- Signed and commenced a new DEP® partnership with leading Chinese company Chase Sun to develop several DEP® nanoparticle formulations for an anti-infective drug with the view of enhancing its performance and expanding its therapeutic utility.
- Developed and patented a DEP® version of Gilead's remdesivir (Veklury®) with improved injection volume and pharmacokinetic characteristics.
- Progress with several internal DEP® programs being developed, including ADCs and radiopharmaceutical candidates for both therapeutic and diagnostic applications.
- Starpharma's laboratory and internal operations continued to operate with minimal disruption, under a COVID safe plan.

Corporate

- Starpharma conducted a successful equity raising during the period resulting in net proceeds of $47.0 million via a placement to domestic and international institutional, sophisticated and professional investors, and a Share Purchase Plan for existing shareholders.

VIRALEZE™ Program

VIRALEZE™– Starpharma's antiviral nasal spray for COVID-19 and other respiratory viruses

During the half-year Starpharma expedited the development, manufacture and regulatory activities for VIRALEZE™. The product was recently registered in Europe and launch activities are being undertaken to have VIRALEZE™ ready for market in Q1 CY21. The Company conducted further antiviral testing, which demonstrated SPL7013 is virucidal, inactivating more than 99.99% of SARS-CoV-2, the virus that causes COVID-19. SPL7013 also demonstrated potent activity in respiratory pathogen RSV (respiratory syncytial virus).

Starpharma expects to launch VIRALEZE™ in Europe soon. Manufacture of launch batches of the product is underway and marketing activities are well advanced for online, direct to consumer sales. The Company is also pursuing pharmacy distribution, business-to-business opportunities and potentially licencing for certain jurisdictions. VIRALEZE™ is a novel product in a new rapidly developing segment where the timing and uptake of adoption of products make this market difficult to quantify at this stage.

Starpharma is due to complete the human study for VIRALEZE™ shortly, which is designed to support commercialisation activities for the product.

The company was awarded $1 million in matched grant funding by the Medical Research Future Fund for VIRALEZE™ following consideration of more than 100 applications by an international industry panel.

VivaGel® Program

VivaGel® BV – Starpharma's breakthrough product for bacterial vaginosis (BV)

VivaGel® BV is currently on-market in the UK, Europe and Australia, and approved for launch in multiple countries in Asia, and New Zealand. The product has been licensed in more than 160 countries.

During the period, VivaGel® BV was launched in the Nordic region, and further regulatory submissions were progressed, and approvals were received for countries in Africa and the Middle East. Starpharma's partners for VivaGel® BV have experienced some disruption to sales and marketing activities due to COVID-19.

In Australia, the Therapeutic Goods Administration (TGA) approved an expansion of the marketing authorisation for VivaGel® BV (Fleurstat BVgel) to include the indication of prevention of recurrent bacterial vaginosis. In the US, the formal FDA review is ongoing, and COVID-19 has had an impact on timing.

VivaGel® condom – World-first product and the only anti-viral condom with lubricant incorporating VivaGel®

Starpharma continued to work closely with its marketing partner, LifeStyles, as they undertake marketing preparations for the launch of the VivaGel® condom in Europe under their brand name Absolute™ DUAL PROTECTION. The Company continued to progress regulatory activities in other regions.

DEP® Drug Delivery Platform

Internal DEP® programs

The phase 2 DEP® docetaxel trial continued to progress well, with further encouraging efficacy signals observed, including prolonged stable disease and tumour shrinkage in patients with pancreatic, oesophageal and gastric cancer. A combination DEP® docetaxel with gemcitabine trial commenced in July 2020.

The phase 2 DEP® cabazitaxel trial continued to progress well with encouraging efficacy signals observed, including stable disease, significant target tumour shrinkage and substantial tumour marker reductions (e.g. PSA), in cancers including prostate, ovarian, lung, gastro-oesophageal, head and neck and other cancers. In August 2020, a new trial site was opened at the Kinghorn Cancer Centre in Sydney.

The phase 2 DEP® irinotecan trial recruited patients rapidly during the period, with encouraging efficacy signals observed for a number of tumour types, including breast, colorectal, ovarian, pancreatic, lung and oesophageal cancer. The company commenced preparations for the addition of

clinical combinations with DEP® irinotecan, based on investigator interest and impressive preclinical studies, including in the area of immunotherapy.

Recruitment and treatment continued in all DEP® clinical trials during the period, however the impact of COVID-19 in the UK, where DEP® trials are taking place, has had a variable effect on the programs depending on site-specific factors including the trial site location and type of hospital.

Starpharma applied its DEP® technology to create a long-acting, water soluble version of Gilead's antiviral drug, remdesivir (Veklury®) which is approved for use in COVID-19. The company also progressed with several internal DEP® programs under development, including ADCs and radiopharmaceutical candidates, with several patents were filed during the half-year.

Partnered DEP® programs

The clinical DEP® program for AZD0466 continued to progress and AstraZeneca recently advised Starpharma of a significant expansion of the program to a global multi-centre study with an initial focus on haematological cancers.

Starpharma signed a Research Agreement with leading global pharmaceutical company Merck & Co., Inc (MSD) to conduct a preclinical research evaluation of dendrimer based DEP® Antibody Drug Conjugates (ADCs) utilising Starpharma's DEP® technology. The company also signed a DEP® partnership with Chase Sun to develop several DEP® nanoparticle formulations for an anti-infective drug.

Review of Financials

	Half-Year Ended 31 December	
Income statement	**2020 $'000**	2019 $'000
Revenue	**638**	5,671
Cost of goods sold	**(286)**	(650)
Other income	**660**	-
Research and product development expense (net of R&D tax incentive)	**(7,497)**	(7,316)
Commercial and regulatory operating expense	**(1,406)**	(1,989)
Corporate, administration and finance expense	**(2,539)**	(1,579)
Loss for the period	**(10,430)**	(5,863)

Income statement
For the half-year ended 31 December 2020 the consolidated loss after income tax was $10,430,000 (December 2019: $5,863,000).

Revenue includes product sales, royalty, and research revenue from commercial partners of $486,000 (December 2019: $5,353,000); and interest income on cash invested in term deposits of $152,000 (December 2019: $318,000). The revenue in the prior half-year included US$3 million on AstraZeneca triggering a development milestone for the first dose of AZD0466 administered in the phase 1 trial of its first DEP® product.

Other income of $660,000 (December 2019: $Nil) primarily relates to the first instalment ($221,000) of grant funding awarded to Starpharma by the Medical Research Future Fund (MRFF) to expedite development and commercialisation of the Viraleze™ antiviral nasal spray, as well as the final amount from phase one of the Australian Government's JobKeeper Payment ($376,000). Despite remaining eligible following the successful capital raising, Starpharma elected not to continue beyond the first phase of the JobKeeper scheme which ended on 27 September 2020.

Research and product development expenses include the costs of the internal DEP® drug delivery programs, including DEP® docetaxel, DEP® cabazitaxel, and DEP® irinotecan, and VIRALEZE™ antiviral nasal spray. A contra research and product development expense of $3,415,000 (December 2019: $2,957,000) has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program.

Commercial and regulatory operating expense includes the expenditure related to the commercialisation of both VivaGel® / VIRALEZE™ and DEP® portfolios, including business development, legal, regulatory, supply chain and quality assurance activities.

Corporate, administration and finance expense include corporate costs, as well as gains/losses on foreign currency held. The increase over the prior period reflects a foreign currency loss of $928,000 (December 2019: $95,000 gain) primarily on the deprecation of the US dollar against the Australian dollar.

Balance sheet
At 31 December 2020 the group's cash position was $70,274,000 (June 2020: $30,054,000). Trade and other receivables of $4,724,000 (June 2020: $6,128,000) primarily comprises of $3,415,000 (30 June 2020: $5,670,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme, and a further $623,000 of grant funding and other receivables (GST) already received subsequent to the end of the reporting period. Trade and other payables of $5,008,000 (June 2020: $4,472,000) have increased primarily on higher accruals associated with R&D expenditure on the DEP® and VIRALEZE™ programs.

Statement of cash flows
Net operating cash outflows for the half-year were $5,373,000 (December 2019: $5,160,000). Cash flows from financing activities include net proceeds of $46,963,000 million from an equity raising in the half-year.

Earnings per share

	Half-year ended 31 December	
	2020 Cents	2019 Cents
Basic / diluted loss per share	**(2.69)**	(1.58)

Matters subsequent to the end of the financial half-year

No matters or circumstances have arisen since 31 December 2020 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of the operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and interim financial report have been rounded off to the nearest thousand dollars in accordance with that Instrument.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

This report is made in accordance with a resolution of the Directors.

Rob Thomas *AO*
Chairman
Melbourne, 25 February 2021

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the review of Starpharma Holdings Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Starpharma Holdings Limited and the entities it controlled during the period.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
25 February 2021

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Interim Financial Report

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Consolidated statement of comprehensive income

For the half-year ended 31 December 2020

		Half-year	
		2020	2019
	Notes	**$'000**	$'000
Revenue	4	**638**	5,671
Cost of goods sold		**(286)**	(650)
Other income	4	**660**	-
Research and product development expense (net of R&D tax incentive)		**(7,497)**	(7,316)
Commercial and regulatory operating expense		**(1,406)**	(1,989)
Corporate, administration and finance expense		**(2,539)**	(1,579)
Loss before income tax		**(10,430)**	(5,863)
Income tax expense		**-**	-
Loss from continuing operations attributable to the ordinary equity holders of the company		**(10,430)**	(5,863)
Other comprehensive income (loss)		**-**	-
Total comprehensive income (loss) for the period		**(10,430)**	(5,863)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic loss per share	10	**(2.69)**	(1.58)
Diluted loss per share	10	**(2.69)**	(1.58)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 31 December 2020

	Notes	31 December 2020 $'000	30 June 2020 $'000
Current assets			
Cash and cash equivalents		**70,274**	30,054
Trade and other receivables	6	**4,724**	6,128
Inventories		**701**	494
Total current assets		**75,699**	36,676
Non-current assets			
Property, plant and equipment		**849**	877
Right-of-use assets		**1,437**	1,525
Total non-current assets		**2,286**	2,402
Total assets		**77,985**	39,078
Current liabilities			
Trade and other payables		**5,008**	4,472
Lease liabilities		**668**	604
Provision for employee benefits		**1,287**	1,184
Deferred income		**389**	437
Total current liabilities		**7,352**	6,697
Non-current liabilities			
Lease liabilities		**829**	970
Provision for employee benefits		**49**	85
Total non-current liabilities		**878**	1,055
Total liabilities		**8,230**	7,752
Net assets		**69,755**	31,326
Equity			
Contributed capital	7	**240,624**	193,661
Reserves		**22,236**	20,340
Accumulated losses		**(193,105)**	(182,675)
Total equity		**69,755**	31,326

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

For the half-year ended 31 December 2020

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Half-year December 2020 Total equity $'000
Balance at 1 July 2020		193,661	20,340	(182,675)	31,326
Loss for the period		-	-	(10,430)	(10,430)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive income (loss) for the half-year		-	-	(10,430)	(10,430)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	7	46,963	-	-	46,963
Employee performance rights plan		-	1,896	-	1,896
Total transactions with owners		46,963	1,896	-	48,859
Balance at 31 December 2020		240,624	22,236	(193,105)	69,755

For the half-year ended 31 December 2019

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Half-year December 2019 Total equity $'000
Balance at 1 July 2019		193,621	16,775	(168,001)	42,395
Application of AASB 16 *Leases*		-	-	4	4
Restated total equity at the beginning of the financial year		193,621	16,775	(167,997)	42,399
Loss for the period		-	-	(5,863)	(5,863)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive income (loss) for the half-year		-	-	(5,863)	(5,863)
Transactions with owners, recorded directly in equity					
Employee performance rights plan		-	1,539	-	1,539
Total transactions with owners		-	1,539	-	1,539
Balance at 31 December 2019		193,621	18,314	(173,860)	38,075

Consolidated statement of cash flows

For the half-year ended 31 December 2020

		Half-year	
		2020	2019
	Notes	**$'000**	$'000
Cash flow from operating activities			
Receipts from trade and other debtors (inclusive of GST)		**253**	2,067
Grant income and R&D tax incentives (inclusive of GST)		**6,318**	4,898
Payments to suppliers and employees (inclusive of GST)		**(12,073)**	(12,418)
Interest received		**160**	336
Interest paid		**(31)**	(43)
Net cash outflows from operating activities		**(5,373)**	(5,160)
Cash flow from investing activities			
Payments for property, plant and equipment		**(108)**	(72)
Net cash outflows from investing activities		**(108)**	(72)
Cash flow from financing activities			
Proceeds from issue of shares	7	**48,862**	-
Share issue transaction costs	7	**(1,899)**	-
Lease repayments		**(298)**	(286)
Net cash inflows from financing activities		**46,665**	(286)
Net decrease in cash and cash equivalents held		**41,184**	(5,518)
Cash and cash equivalents at the beginning of the half-year		**30,054**	41,251
Effects of exchange rate changes on cash and cash equivalents		**(964)**	143
Cash and cash equivalents at the end of the half-year		**70,274**	35,876

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

31 December 2020

Contents

1. Summary of significant accounting policies

(a) Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The financial statements have been prepared on a going concern basis.

2. Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

Certain research and product development activities are eligible under an Australian Government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive program. For the half-year to 31 December 2020, the group has recorded a contra research and development expense of $3,415,000 (December 2019: $2,957,000).

3. Segment information

The group has determined that on the basis of internal reporting and monitoring to the Chief Executive Officer, who is the chief operating decision maker, the group operates in one business segment, being the discovery, development and commercialisation of dendrimers for pharmaceutical, life science and other applications.

4. Revenue and other income

	Half-year	
Revenue and other income from continuing operations	**2020 $'000**	2019 $'000
Revenue from contracts with customers	**486**	5,353
Interest revenue	**152**	318
Total revenue from continuing operations	**638**	5,671
Other income	**660**	-
Total revenue and other income from continuing operations	**1,298**	5,671

Revenue from contracts with customers includes licensing revenue, products sales, royalties and research revenue from partners.

Total revenue from contracts with customers for the half-year was $486,000 (December 2019: $5,353,000) which is predominately product sales and royalties on VivaGel® products. The revenue in the prior half-year included US$3 million on AstraZeneca triggering a milestone for the first dose of AZD0466 administered in the phase 1 trial of its first DEP® product.

Other income of $660,000 (December 2019: $Nil) relates to the first instalment ($221,000) of grant funding awarded to Starpharma by the Medical Research Future Fund (MRFF) to expedite development and commercialisation of Viraleze™ a novel SPL7013 nasal spray for COVID-19 and other respiratory viruses, as well as the final amount from phase one of the Australian Government's JobKeeper Payment ($376,000). Despite remaining eligible following the successful capital raising, Starpharma elected not to continue beyond the first phase of the JobKeeper scheme which ended on 27 September 2020.

5. Expenses

	Half-year	
	2020 $'000	2019 $'000
Loss from continuing operations before income tax expense includes the following items:		
R&D tax incentive (contra expense)[1]	**(3,415)**	(2,957)
Employee benefits expenses (including share-based payments)	**5,516**	5,222
Depreciation of property, plant and equipment	**142**	137
Depreciation of right-of-use assets	**308**	319

[1] Included within the research and product development expense line item in the consolidated statement of comprehensive income.

6. Current Assets – Trade and other receivables

Trade and other receivables of $4,724,000 (30 June 2020: $6,128,000) primarily comprises of $3,415,000 (30 June 2020: $5,670,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme, and $623,000 of grant funding and other receivables (GST) already received subsequent to the end of the reporting period.

7. Contributed equity

(a) Share capital

	December 2020 Shares	June 2020 Shares	**December 2020 $'000**	June 2020 $'000
Share Capital				
Ordinary shares – fully paid	**406,015,212**	372,562,687	**240,624**	193,661

(b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**Issue Price**	**$'000**
1 Jul 2020		372,562,687		193,661
23 Sep 2020	Employee performance rights plan share issue	188,281	$ –	–
30 Oct 2020	Employee performance rights plan share issue	689,543	$ –	–
6 Oct 2020	Share placement	30,000,000	$ 1.50	45,000
4 Nov 2020	Share purchase plan	2,574,701	$ 1.50	3,862
	Less transaction costs for share placement and share purchase plan			1,899
	Balance at 31 December 2020	**406,015,212**		**240,624**

(c) Ordinary shares

As at 31 December 2020 there were 406,015,212 issued ordinary shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of, and amounts paid, on the shares held. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Employee Share Plan ($1,000 Plan)

Shares issued under the Starpharma Holdings Limited Employee Share Plan ($1,000 Plan) to eligible staff are granted for no consideration and are escrowed for 3 years while participants are employed by the company. An allocation of 24,814 shares was issued to eligible staff on 27 January 2021, subsequent to the reporting date.

(e) Employee Performance Rights Plan

At 31 December 2020, there are 17,510,497 (30 June 2020: 14,780,525) performance rights on issue, of which 9,182,785 have vested and are exercisable at the balance date and 8,327,712 unvested. There were 4,281,654 performance rights issued during the financial half-year, 877,824 performance rights converted into shares on the exercise of vested performance rights and 673,858 rights lapsing during the period.

8. Contingencies

There have been the following changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2020:

Starpharma has engaged a number of service providers to develop and assist with the implementation of a full direct to market commercialisation plan for Viraleze™ COVID-19 nasal spray. In order to preserve capital, Starpharma negotiated to defer a majority of the fee payable to a service provider until such time that the Company begins recognising Viraleze™ sales and licensing proceeds. Pursuant to this arrangement, the maximum remaining amount payable by the Company to the service provider is A$1.3M (30 June 2020: A$Nil), subject to Viraleze™ sales performance and licensing proceeds.

9. Events occurring after the balance sheet date

There are no significant events occurring since 31 December 2020 that have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of the group.

10. Earnings per share

		Half-year
	2020	2019
Basic earnings/(loss) per share / Diluted earnings/(loss) per share		
Total earnings/(loss) per share attributable to the ordinary equity holders of the company (cents)	**(2.69)**	(1.58)
Reconciliations of earnings/(loss) used in calculating earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings/(loss) per share ($'000):	**(10,430)**	(5,863)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	**387,798,476**	371,919,697

The performance rights on issue at balance date are not included in the determination of basic earnings per share. The rights are also not included in the determination of diluted earnings per share. They are not considered dilutive as their conversion would not increase loss per share from continuing operations.

Directors' declaration

In the directors' opinion:
(a) the financial statements and notes set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Rob Thomas *AO*
Chairman
Melbourne, 25 February 2021

Independent Auditor's Review Report to the Members

Independent auditor's review report to the members of Starpharma Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Starpharma Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Starpharma Holdings Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Brad Peake
Partner

Melbourne
25 February 2021