

- > Enrolment completed for Phase 2 study of VivaGel® for treatment of BV
- > Strengthening shareholder base – new domestic and European investors
- > Broad appeal of SPL's dendrimer technology platform – agrochemicals and drug delivery
- > Starpharma's performance vs the market

SHAREHOLDER Update

MARCH 2011



>> Broad appeal for Starpharma's dendrimer platform

Starpharma's platform technology is based on dendrimers, which are precisely and uniformly constructed molecules produced on the nanoscale. Dendrimers have a wide range of functionality and Starpharma has identified and patented multiple uses for the technology.

To accommodate the wide range of opportunities across multiple sectors, Starpharma has employed a partnering model and already has commercial agreements in place with leading companies such as Reckitt Benckiser (formerly SSL International) for the development of the VivaGel®- coated condom, Lilly and GSK for drug delivery, Siemens for diagnostics, and Merck KgA for laboratory reagents.

As shown below, the applications for Starpharma's dendrimers fall into a number of categories including two main fields – pharmaceutical and industrial. Starpharma has a large portfolio of approximately 100 granted patents covering the various commercial applications of dendrimers. In this issue we take a closer look at two of these areas generating significant recent interest from partners – agrochemicals and drug delivery.

>> SPL building momentum

The past quarter has seen a significant building of investment momentum in Starpharma both in Australia and overseas, contributing to the strengthening of the share price. This interest reflects broader investment community recognition of Starpharma's expanding programs in drug delivery and agrochemicals, along with increasing recognition of the value of the broader VivaGel® portfolio including the VivaGel® – coated condom.

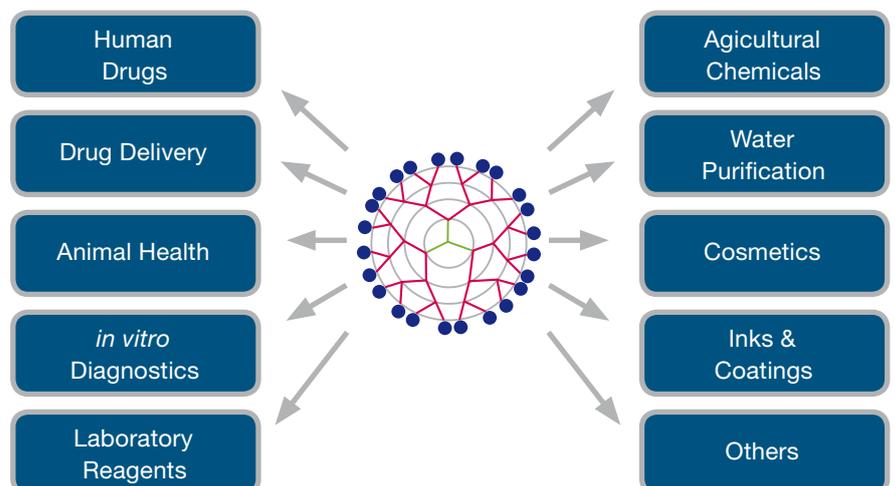
“Dendrimers have numerous potential applications in healthcare and industry. We see the possibility of lucrative licensing deals from dendrimer projects focused on drug delivery, animal health, agrochemicals and many more.”

Southern Cross Equities, February 2011

“Agrochemicals have lower regulatory requirements for approval. The numerous commercial options make Starpharma one of the most exciting biotech companies listed on the ASX.”

Shaw Stockbroking, March 2011

DENDRIMERS: A TRUE PLATFORM TECHNOLOGY



AGROCHEMICALS

>> Global agrochemical market

While Starpharma is well known for the potential of its dendrimer technology in the pharmaceutical industry, the company has also been investigating applications in the US\$35.8 billion global agrochemicals market.

Along similar lines to drug delivery applications, Starpharma's technology has the potential to improve the delivery of agrochemicals to enable healthier plant growth and fight plant disease. As well as increasing efficacy, improved delivery of chemicals can reduce both the frequency of application and amount applied. Such innovations have the potential to reduce farmers' costs and also reduce the environmental impact.

Starpharma's dendrimers have already demonstrated valuable properties for

agrochemicals and the company is currently working with a number of leading agrochemical companies to advance specific commercial opportunities.

Starpharma's agrochemical program was recognised earlier this month with the award of a \$250,000 grant under the Victorian Government's Small Technologies Industry Uptake Program. This funding will allow Starpharma to independently undertake further agricultural trial work using specialist organisations to explore the potential application of its dendrimers to various generic agrochemical agents. The ten largest generic agents by sales are listed on the left.

RANK	ACTIVE INGREDIENT	USE	INNOVATOR COMPANY	ANNUAL SALES US\$M
1	Glyphosate	Herbicide	Monsanto	5,000
2	Imidacloprid	Insecticide	Bayer & Nihon Noyaru	1,000
3	Malathion	Insecticide	BASF	400
4	Paraquat	Herbicide	ICI (Syngenta)	400
5	Acephate	Insecticide	Chevron	350
6	Pendimethalin	Herbicide	BASF	350
7	2,4-D	Herbicide	Various	325
8	Acetochlor	Herbicide	Various	300
9	Chlorpyrifos	Insecticide	Dow Chemical	300
10	Trifluralin	Herbicide	Lilly (Dow AgroSciences)	300

Source: Various AgGrow Generic Pesticides

DRUG DELIVERY

>> Anti-Cancer

Starpharma's recent development work has confirmed the exciting potential for dendrimers to act as excellent drug delivery vehicles for a variety of therapeutic agents.

In particular, promising results in preclinical cancer models indicate good efficacy with significantly improved safety from the combination of dendrimers with important anti-cancer drugs.

Dr David Owen, Starpharma's VP Research, said: "Our results thus far are very encouraging and there is certainly increasing interest in the use of dendrimers to more effectively deliver anti-cancer therapies."

Enhanced presentations of existing cancer therapies are attractive to pharmaceutical partners because this can represent a shorter, lower cost and lower risk path to market. The industry has a number of examples of significant value creation through this delivery enhancement strategy, eg. the Abraxis product Abraxane.

>> In Brief

Starpharma presents at the 5th Improving Solubility Conference

VP Business Development Dr Paul Barrett and VP Research Dr David Owen are presenting at the 5th Improving Solubility Conference in Philadelphia March 28-30. At the conference, which expects around 100 attendees from the pharmaceutical and chemicals industries, Paul and David will present applications of Starpharma's dendrimer technology for enhancing solubility and other aspects of drug delivery. Paul and David will be presenting alongside representatives of companies which include Pfizer, BMS, Novartis and Abbott Laboratories.

FINANCIALS

SNAPSHOT:
Results for the half year ended 31 Dec 2010

• CASH AT 31 DECEMBER 2010
\$19.7M

• NET CASH BURN
\$3.1M

• OPERATING CASH OUTFLOWS
\$3.75M

• REPORTED LOSS
\$4.2M



>> Starpharma attacks bacterial vaginosis on two fronts

Bacterial vaginosis (BV) is the most common vaginal infection worldwide, and the most common cause of vaginal irritation, discharge and malodor. It is particularly prevalent in the US, where it affects an estimated one-third of the adult female population. The condition is implicated in pelvic inflammatory disease and may also be associated with an increased risk of sexually transmitted infections, including HIV, and pre-term birth.

BV is characterised by frequent recurrence, with some women experiencing it as many as three or more times a year. Current therapies are generally considered by clinicians to be inadequate, and lasting cure is difficult to achieve. There are also few real options for women to address frequent recurrence of this condition. Existing antibiotic treatments are not considered suitable for frequent or long-term use.

VivaGel® for treatment and prevention of recurrent BV

Starpharma's VivaGel® is under investigation as an alternative to conventional antibiotics for short term treatment of BV, as well as for prevention of recurrence of BV. The lack of systemic absorption and low risk of side effects make VivaGel® well suited for this purpose.

A phase 2 clinical trial of VivaGel® for short-term treatment of BV has now completed enrolment of all 132 patients in the United States. While results of the study, due in the second quarter of this year, are being compiled, a phase 2 study is also being planned to assess the ability of VivaGel® to prevent recurrence of BV. Planning for this recurrence study is already well advanced with clinical research organisations and site selection processes well underway.

>> RB acquires SSL

In November 2010, Reckitt Benckiser completed its £2.5bn acquisition of SSL International. Starpharma has a licence agreement with SSL to develop and market a VivaGel® coated condom under the Durex® banner.

Reckitt Benckiser, ranked in the Top 25 of the FTSE100 Index with sales across 180 countries, is one of the world's leading manufacturers and marketers of branded products in household cleaning and health and personal care. It has a history of focusing strongly on innovation and marketing.

As a result of the acquisition, SSL is now formally part of Reckitt Benckiser and its leading global condom brand Durex will be added to Reckitt Benckiser's portfolio of health and personal care "Powerbrands" which include Nurofen, Strepsils and Clearasil.

The rights to Japan, the 2nd largest condom market in the world, are excluded from the Reckitt Benckiser licence agreement and rights to this market are currently under negotiation separately.



>> BV market opportunity

BV is estimated to affect 21 million women in the US alone, with the prevalence being more than 50% in some demographic groups. The global market for topical BV treatments alone is estimated to be approximately US\$300-350M per year, while the market for a product to prevent BV recurrence is estimated to be significantly larger than the acute treatment market. The low risk of side effects and other features, such as condom compatibility, make VivaGel® particularly well suited as a candidate for both treatment and prevention of BV.

INDICATION	CURRENT MARKET/ EST	EXISTING THERAPIES	STAGE OF DEVELOPMENT	COMMERCIAL STRATEGY
BV Treatment	US \$300-350M (topical agents alone)	Metronidazole Clindamycin (antibiotics)	Enrolment completed for Phase 2 trial; results Q2 2011	Late stage licence
Prevention of BV recurrence	Likely to be significantly larger than treatment	None approved	Phase 2 trial commencing 2H 2011	Late stage licence

The table above summarises the Phase 2 trial program and commercial opportunities for the use of VivaGel® in BV.



» Views on the biotechnology sector and Starpharma's relative performance

Analysts and commentators are increasingly optimistic about the outlook for the biotechnology and healthcare sectors following strong performances over the last few months.

Independent biotechnology analysts Bioshares noted that it was a stunning year for the Australian biotechnology sector in 2010.

“ In the year ahead, positive sentiment and interest in the sector is set to continue and improve as biotech companies move through pivotal phases of their commercialisation pathways. ”

Bioshares, January 2011

Bioshares named Starpharma among its top 10 stocks in January 2011 saying: “A feature of the Starpharma business model that makes it somewhat more attractive to investors is that it has a low cash burn despite maintaining interests in many different programs. The company's net cash outflow (before new capital) was \$2.9 million in FY2009 and \$3.9 million in FY2010. Partners either pay Starpharma to complete work on their behalf or conduct development work at their own expense.”

Starpharma was also one of three companies (along with Nanosonics and Impedimed) cited by Sebastian Evans in his article “*Get healthy returns from biotech*” in the February 16, 2011 edition of the **Eureka Report**. Sebastian Evans is the Portfolio Manager for the Naos Emerging Companies Long Short Equities Fund.

Strengthening shareholder base

Starpharma's ongoing active investor engagement program both in Australia and overseas has resulted in the entry of a number of new institutional funds to the register, and greater awareness of the company within the broking community in the past 12 months. Starpharma CEO Jackie Fairley has recently returned from London where she presented to more than 150 institutional investors as part of the ASX *Emerging Growth Series*. Following this Starpharma welcomes a number of new European-based institutional investors to the register.

At the time of going to press Starpharma was sixth by market capitalisation in a ranking of biotech peers (see table below) having achieved a 99% increase in its share price compared with June 30 2010. CEO Jackie Fairley said: “It is very pleasing to see greater recognition in the investment community for Starpharma's strategy of advancing our partnered programs in drug delivery and agrochemicals, along with increasing recognition of the value of the broader VivaGel® portfolio.”

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RANK	COMPANY	MARKET CAPITALISATION (A\$M)	SHARE PRICE AT 21 MARCH 2011	SHARE PRICE MOVEMENT % SINCE 30 JUNE 2010
1	CSL	18,480	\$33.92	-6%
2	Mesoblast	1,920	\$6.88	272%
3	Acrux	569	\$3.42	89%
4	Pharmaxis	520	\$2.28	11%
5	Sirtex	297	\$5.32	9%
6	Starpharma	263	\$1.08	99%
7	Cellestis	261	\$2.71	-1%
8	QRxPharma	189	\$1.50	27%
9	Biota	174	\$0.96	-6%

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 health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health 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 clinical trial results, including additional analysis of existing clinical data, and new clinical 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.