starpharma

SHAREHOLDER Update

DECEMBER 2011

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›› Starpharma's products resonate with global investors

Starpharma raised $35 million through an institutional and sophisticated share placement and a Share Purchase Plan (SPP), to advance its three core programs; the VivaGel® portfolio, drug delivery, and agrochemical enhancement.

The placement raised $32 million and was significantly oversubscribed. The financing is the only major capital raising in Australian biotechnology this year to be achieved at no discount to market price, sending a strong message about the strength of Starpharma's investment proposition in a time where global investment capital availability is at near-record lows.

UK investment manager M&G Investments emerged with a 6.7% stake following its $20 million investment in the placement. The Fund has since increased its holding to approximately 7%. M&G is Prudential's U.K. and European fund management business and had assets under management of $323 billion as at 30 June 2011. M&G also holds a stake in Mesoblast and more than 18% of Ansell.

The SPP was capped at $3 million and was oversubscribed by more than 400%.

"We believe that this additional cash really transforms the company. The company has had strong news flow over the past 12 months and we see this continuing as the company secures new partnerships and progresses its own product to a point where it can secure attractive commercial terms for them."

Shaw Stockbroking Healthcare Analyst, Dr Matthijs Smith.

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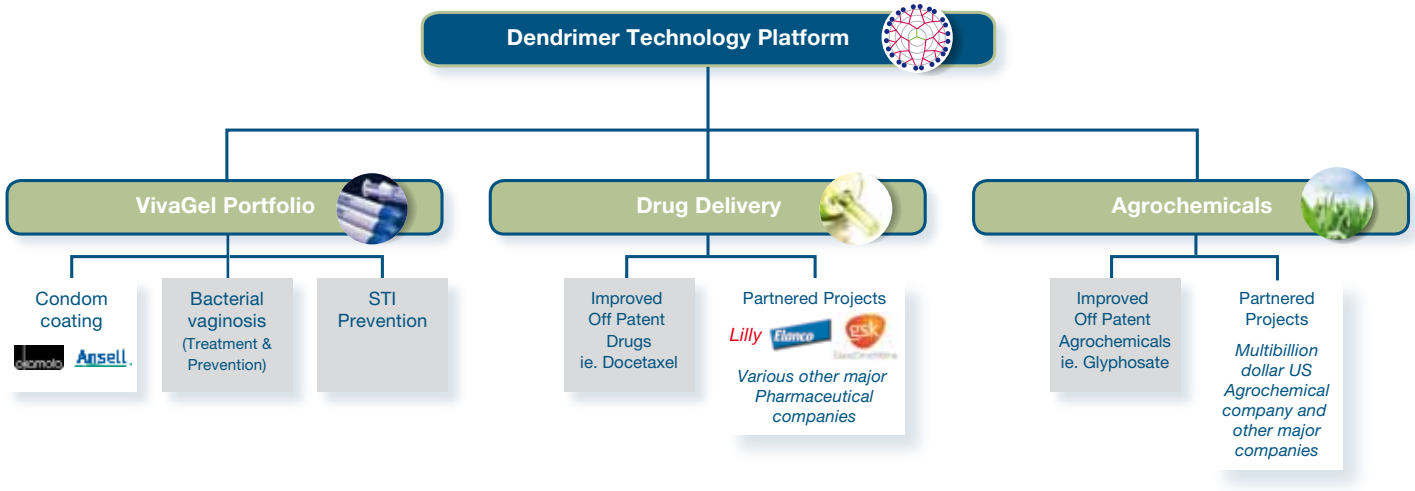

INVESTMENT NEWS

The funding will be largely directed towards advancing the following applications for Starpharma's technology:

Bacterial Vaginosis

The development of VivaGel® for BV is now funded with $16 million allocated to take the product through to registration and an opportunity to capture a share of markets estimated to be worth in excess of $1.3 billion for the prevention and recurrence indications. Starpharma expects to commence pivotal Phase 3 clinical trials early next year (see Page 3).

Drug Delivery

Starpharma's internal drug delivery program includes improvement of Docetaxel, a powerful and widely used chemotherapeutic drug with sales of $3 billion in 2010. New funding will allow Starpharma to advance pre-clinical work on a dendrimer reformulation of the drug, potentially improving the side effect profile and patient outcomes, to a stage where it can command significant commercial value via a partnership. R&D work with other generic drugs also continues.

Agrochemicals

Starpharma's lead candidate in the internal agrochemical program is an enhanced reformulation of the $5 billion herbicide Glyphosate (RoundUp®). New funding will be directed towards accelerating an improved Glyphosate formulation as well as advancing a solvent reduced/free agrochemical formulation, and a number of other selected agrochemical programs.

"This funding will allow us to accelerate the development and commercialisation of multiple products. Starpharma's platform technology is a cornerstone to the company's value as we focus our efforts on bringing our more advanced products to market and applying the technology to a number of other product applications."

Starpharma Chief Executive Officer, Dr Jackie Fairley.

VIVAGEL®

›› Starpharma signs with Ansell on VivaGel®-coated condom

In August Starpharma executed a licence agreement with Ansell Limited (ASX: ANN) giving Ansell marketing rights to the VivaGel®-coated condom. The agreement covers marketing rights to the coated condom in countries which exclude Japan and a number of Asian markets.

Ansell is ranked number two globally in condom sales. Last year its condom business grew at close to 20% with particularly strong growth seen in USA, China, India, South America and Eastern Europe. It has a leading market position in the rapidly expanding Asia Pacific and South American markets, and in Australia with around 70% market share.

Under the agreement Ansell will pay Starpharma royalties on sales of VivaGel®-coated condoms and will support registration and other commercialisation costs.

Starpharma terminated an earlier agreement with Reckitt Benckiser relating to the VivaGel®-coated condom.

"We envisage that VivaGel®-related condom royalties from Ansell, a global force in condoms as well as industrial and medical gloves, can yield Starpharma a strong royalty flow once the product launches next year."

Bell Potter Research Analyst, Stuart Roberts.

›› IN BRIEF

Starpharma Elevated to Standard and Poor's ASX 300 Index

In September Starpharma was elevated to the ASX300, which provides investors with a benchmark representing Australia's larger and more liquid listed companies.

The company's addition to this index follows continued strong share price performance of more than 50% capital growth over the 12 months to end of November, outperforming most of its peers and the ASX300 index which finished the period near 10% down.

*XKO = S&P/ASX300 Index

VIVAGEL®

›› Putting a stop to stubborn BV: The VivaGel® solution

Oddly enough, bacterial vaginosis (BV) – the most common vaginal infection – is one of the least spoken about, and has a poor range of treatment and preventatives available. BV affects 1 in 3 women at some point in their lives, and involves the disruption of natural bacteria. The most obvious symptoms are unpleasant odours and discharge – but BV can also result in serious reproductive complications and an increase in sexually transmitted infections.

BV disrupts the delicate balance between 'good' and 'bad' bacteria, which changes through time and with exposure to new sexual partners, BV is for many women an ongoing struggle to control the symptoms with unreliable treatments tethered to unwelcome side effects. As one sufferer's blog bluntly put it: "nothing I was doing was making any difference at all. The odour was so bad I was afraid other people could smell it."

A study by Dr Catriona Bradshaw, a leading specialist in the field, at the Melbourne Sexual Health Centre which published data in 2006, showed that 58% of women treated for BV experienced a recurrence within 12 months. This persistency is candidly detailed on websites like medicinenet.com where fellow sufferers gather to commiserate on the lack of effective options available. "I have had bacterial vaginosis on and off again for the last four years… nothing seems to help," said one patient. Another bemoaned that doctors "can't explain why I keep getting them… it will clear up for about four or five months and then start all over again".

Nor has the commercial significance gone unnoticed by professional analysts.

"[Antibiotics are] the most common therapy in the treatment of BV, but efficacy is not optimal. In addition, relapse is frequent after antibiotic treatment. We also note that a number of these antibiotics have a relatively high side-effect profile. Hence, there is an opportunity for a drug that can definitively treat BV."

Dr David Stanton and Zara Lyons, Healthcare Analysts at Nomura.

VivaGel®'s clinical program continues to progress smoothly, with a Phase 2 study currently recruiting around 200 US women to test VivaGel®'s ability to prevent BV recurrence.

"There are currently very few, if any, proven options for women who wish to prevent recurrence of BV, so this trial is an important milestone in the development of VivaGel® and the management of this common and unpleasant condition," said Dr Fairley.

Analysts at Shaw Stockbroking have estimated that the combined global market for VivaGel® as both a preventative and treatment may be in excess of $2 billion.

VivaGel® the BV treatment continues clinical progress

In addition to the exciting progression of the recurrence indication for VivaGel®, Starpharma recently secured the agreement of both the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA) for its Phase 3 clinical trial program for the VivaGel® treatment application. The recent capital raise provides additional capital to accelerate the progression of this trial program.

Dendrimer Pioneer predicted for Nobel Prize

This year one of the pioneers of dendrimer technology, Professor Donald Tomalia made the Thomson Reuters list of predicted Nobel Prize winners. While he didn't win on this occasion, this recognition of his pioneering work is a significant endorsement of Starpharma's technology.

Prof. Tomalia was founding CSO of DNT, the now wholly owned subsidiary of Starpharma.

This acquisition and integration helped to consolidate Starpharma's position as a global leader in dendritic polymer technology, holding many of the foundation patents based on Prof. Tomalia's work. *"I am especially excited by emerging applications in nanomedicine, such as in diagnostics, drug delivery, new therapies, and bio-markers, and food production – particularly for new agro-delivery systems like herbicides, fertilizers, and plant growth stimulators."*

The versatility of dendrimer technology continues to gain strong recognition from investment analysts.

A full transcript of the interview with Prof. Tomalia is available online at www.starpharma.com/technology

DRUG DELIVERY

›› GSK awarded funds for dermal treatment with SPL's dendrimers

GSK has been awarded a grant from the Victorian Government to advance a dermal treatment based on Starpharma's drug delivery technology.

The funds will be used to support Starpharma's synthesis of dendrimer-based drug candidates which will then be tested by Stiefel, a GSK company, with a view to further development towards a dermal product.

"Because of the great flexibility of dendrimers we believe they represent a significant breakthrough in chemistry which Starpharma, as the world's leading player in the space, is well placed to exploit."

Bell Potter Research Analyst, Stuart Roberts.

Former CSL executive appointed to Board

The Starpharma board was pleased to welcome Ms Zita Peach to the Board in October. Zita has more than 20 years of pharmaceutical commercial experience, particularly in marketing and business development, working for major industry players such as CSL Limited and Merck Sharp & Dohme (MSD), the Australian subsidiary of Merck Inc. She spent more than 10 years with CSL where she was Vice President/Director, Business Development R&D. She is currently the Managing Director and Executive Vice President, South Asia Pacific for Fresenius Kabi Australia.

Starpharma awarded Victorian Government grant for drug delivery program

Starpharma has been awarded a further $50,000 grant from the Victorian Government to assist in the continued development of its drug delivery research program. The grant was awarded by the Victorian Department for Business and Innovation and will be directed towards further testing of Starpharma's dendrimer-docetaxel formulation at Peter MacCallum Cancer Centre, Australia's largest cancer research group.

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