



Half Year Results Period Ended 31 December 2006

Melbourne, Australia: 23 February 2007: Starpharma Holdings Limited (ASX:SPL, USOTC:SPHRY) today announced its financial results for the six months ending 31 December 2006.

The net loss after tax was A\$3.9 million for the half year, compared with A\$4.1 million for the same period in 2005. Cash at the end of the half year was A\$11.2 million.

About Starpharma:

Starpharma Holdings Limited (ASX:SPL, USOTC:SPHRY) is a world leader in the development of dendrimer nanotechnology for pharmaceutical, life-science and other applications. SPL is principally composed of two operating companies, Starpharma Pty Ltd in Melbourne, Australia and Dendritic Nanotechnologies, Inc in Michigan, USA. Products based on SPL's dendrimer technology are already on the market in the form of diagnostic elements and laboratory reagents.

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 the pharmaceutical field Starpharma has additional specific programs in the areas of Drug Delivery and ADME Engineering™ (using dendrimers to control where and when drugs go when introduced to the body), Polyvalency (using the fact that dendrimers can activate multiple receptors simultaneously) and Targeted Diagnostics (using dendrimers as a scaffold to which both location-signalling and targeting groups are added to allow location of specific cell type, such as cancer cells).

More broadly the company is actively exploring dendrimer opportunities in materials science with applications as diverse as adhesives, lubricants and water remediation.

SPL has a comprehensive IP portfolio that comprises more than 180 patents/applications issued and pending across 32 patent families - a unique level of IP concentration among nanotechnology companies.

Dendrimers: A type of precisely-defined, branched nanoparticle. Dendrimers have applications in the medical, electronics, chemicals and materials industries.

Microbicides: A microbicide inactivates, kills or destroys microbes such as viruses and bacteria. Microbicides may be formulated as gels, creams, sponges, suppositories or films with the purpose of reducing significantly the incidence of STIs. They are intended for vaginal or rectal use to afford protection for varying periods, from several hours up to days. Microbicides may also be designed to have a contraceptive function.

American Depositary Receipts (ADRs): Starpharma's ADRs trade under the code **SPHRY** (CUSIP number 855563102). Each Starpharma ADR is equivalent to 10 ordinary shares of Starpharma as traded on the Australian Stock Exchange. The Bank of New York is the depositary bank.

For further information:

| Media | Starpharma www.starpharma.com | |
|---|--|--|
| Rebecca Wilson Buchan Consulting Tel: +61 2 9237 2800 Mob: +61 417 382 391 rwilson@bcg.com.au | Dr Jackie Fairley Chief Executive Officer +61 3 8532 2704 | Ben Rogers Company Secretary +61 3 8532 2702 ben.rogers@starpharma.com |



STARPHARMA HOLDINGS Limited
ABN 20 078 532 180

ASX Half-year information

31 December 2006

Lodged with the ASX under Listing Rule 4.2A
This information should be read in conjunction with the 30 June
2006 Annual Report.

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STARPHARMA HOLDINGS Ltd
Corporate Directory

| | |
|-------------------------------|--|
| Directors | <p>P T Bartels AO <i>Chairman</i></p> <p>J W Raff <i>Deputy Chairman</i></p> <p>J K Fairley <i>Chief Executive Officer</i></p> <p>P M Colman</p> <p>R Dobinson</p> <p>L Gorr</p> <p>P J Jenkins</p> <p>R A Hazleton</p> |
| Company Secretary | <p>B P Rogers</p> |
| Registered office | <p>Baker Building 75 Commercial Road, Melbourne, Victoria 3004</p> |
| Auditor | <p>PricewaterhouseCoopers</p> |
| Solicitors | <p>Blake Dawson Waldron</p> |
| Bankers | <p>Commonwealth Bank of Australia, National Australia Bank, Wachovia Bank, USA</p> |
| Stock exchange listing | <p>Australian Stock Exchange Limited (ASX) ASX Code: SPL</p> <p>Starpharma's American Depositary Receipts (ADRs) trade under the code SPHRY (CUSIP number 855563102). Each Starpharma ADR is equivalent to 10 ordinary shares of Starpharma as traded on the Australian Stock Exchange. The Bank of New York is the depositary bank.</p> |
| Website address | <p>www.starpharma.com</p> |

STARPHARMA HOLDINGS Ltd
Half-year ended 31 December 2006
(Previous corresponding period:
Half-year ended 31 December 2005)

Results for Announcement to the Market

| | | | | \$ |
|---|------------------------|------|----|-------------|
| Revenue from ordinary activities (Appendix 4D item 2.1) | Up | 236% | to | \$550,652 |
| Loss from ordinary activities after tax attributable to members (Appendix 4D item 2.2) | Down (reduced loss) | 6% | to | \$3,891,866 |
| Net Loss for the period attributable to members (Appendix 4D item 2.3) | Down (reduced loss) | 6% | to | \$3,891,866 |

| Dividends/distributions (Appendix 4D items 2.4, 2.5 and 2.6) | 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 & Other Income

(Appendix 4D item 2.6)

The increase in revenue from ordinary activities includes customer and royalty revenue from Dendritic Nanotechnologies, Inc (DNT) from the 20th October 2006 when DNT became a wholly owned subsidiary. This was combined with an increase in interest revenue on bank deposited funds. Other Income increased 80% from the previous half-year due to the US National Institutes of Health reimbursable contract being in place for the full half-year. See Note 3 for additional information on revenue and other income.

Explanation of Net Profit/(loss)

(Appendix 4D item 2.6)

The consolidated loss of \$3,891,866 is after fully expensing all research and development expenditure and patenting costs. The result includes the consolidation of Dendritic Nanotechnologies, Inc (DNT) from the date of acquisition in October 2006. There was a significant increase in R&D expenditure compared with the previous corresponding period; this was offset by increased grant and contract funding from the US National Institutes of Health.

STARPHARMA HOLDINGS Ltd
Interim financial report – 31 December 2006

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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 2006 and any public announcements made by Starpharma Holdings Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

STARPHARMA HOLDINGS Ltd Directors' report

Your directors present their report on the consolidated entity consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

Directors

The following persons were directors of Starpharma Holdings Limited ("the Company") during the whole of the half-year and up to the date of this report:

P T Bartels (*Chairman*)
J W Raff (*Deputy Chairman*)
J K Fairley (*Chief Executive Officer*)
P M Colman
R Dobinson
L Gorr
P J Jenkins

R A Hazleton was appointed a director on 1 December 2006 and continues in office at the date of this report.

Review of Operations

Principal Activities

The principal activities of the Company consist of investment in, and management and funding of dendrimer based research, development and commercialisation. Activities within the Company are directed towards the development of precisely defined nano-scale materials for pharmaceutical, life-science and other applications. These activities are managed by the wholly owned subsidiary companies Starpharma Pty Ltd in Melbourne, Australia and Dendritic Nanotechnologies, Inc (DNT) in Michigan, USA.

The Company's lead pharmaceutical development product is VivaGel™ (SPL7013 gel), a topical vaginal microbicide designed to prevent the transmission of sexually transmitted infections (STIs). VivaGel™ is initially targeted at HIV and genital herpes, and is currently undergoing Phase I human clinical trials in Melbourne, Australia, San Francisco, USA and Kisumu, Kenya.

In the pharmaceutical field the Company has additional specific programs in the areas of Drug Delivery and ADME Engineering™ (using dendrimers to control where and when drugs go when introduced to the body), Polyvalency (using the fact that dendrimers can activate multiple receptors simultaneously) and Targeted Diagnostics (using dendrimers as a scaffold to which both location-signalling and targeting groups are added to allow location of specific cell type, such as cancer cells).

More broadly the Company is actively exploring dendrimer opportunities in materials science with applications as diverse as adhesives, lubricants and water remediation.

Products based on the Company's dendrimer technology are on the market in the form of diagnostic elements and laboratory reagents.

Significant Events During the Half-year

3 July 2006 Appointment of new Chief Executive Officer

Founding CEO Dr John Raff retired from his executive role after ten years, allowing his successor Dr Jackie Fairley to assume the role of CEO and join the board of the company. Dr Raff remains a non-executive director of Starpharma with the position of Deputy Chairman.

19 July 2006 IND for Clinical Development of VivaGel™ for Genital Herpes Prevention Clears US FDA

An Investigational New Drug application (IND) for the clinical development of VivaGel™ for prevention of genital herpes successfully completed the mandatory review period within the US Food and Drug Administration (FDA). This provided clearance to proceed with a clinical trial for prevention of genital herpes under the first microbicide clinical development program specifically for prevention of genital herpes to be funded by the US National Institutes of Health (NIH). This was also the first IND submitted to the FDA for a microbicide with prevention of genital herpes as the indication.

24 August 2006 NIH-funded human trial for VivaGel™ initiated

Announcement of a Phase I safety trial to provide safety data for VivaGel™ in men who may be exposed to product used by their female partners. The trial commenced following successful review by the US Food and Drug Administration (FDA), local ethics committees, and the U.S. National Institutes of Health (NIH). The preparation and execution of this clinical trial is fully funded as part of a US\$20.3M contract for the development of VivaGel™ from the National Institute of Allergy and Infectious Diseases (NIAID), part of the NIH.

29 September 2006 DNT Announces National Cancer Institute Contract

DNT and the National Cancer Institute (NCI) entered into a Small Business Innovation Research (SBIR) contract valued at US\$850,000 (A\$1.1million). The project will use DNT's Priostar™ dendrimers to develop a new generation of targeted diagnostic and therapeutic delivery technology for the early detection and treatment of epithelial ovarian cancer. This marked the first time that dendrimer nanostructures would be used as both a diagnostic tool and a vehicle to deliver higher concentrations of therapeutic agents to cancerous cells.

4 October 2006 Agreement to acquire DNT

An agreement was signed to acquire DNT through the issue of 20.1 million Starpharma shares. At this time Starpharma owned 33% of DNT and The Dow Chemical Company was the other major shareholder with a 30% equity stake. On completion of the transaction DNT would become a wholly owned operating subsidiary of Starpharma Holdings Limited. The Directors perceived the benefits of the transaction as including:

- the provision of diversified product pipeline with near-term cash-flow opportunities and a more balanced risk profile;
- an increased US presence;
- The Dow Chemical Company becoming a substantial shareholder in Starpharma (approximately 8.6%).

20 October 2006 Completion of the transaction to acquire DNT

Announcement of DNT shareholder approval of Starpharma's offer to acquire 100% ownership of the company through the issue of Starpharma shares. Starpharma acquired the Starpharma Holdings Ltd

remaining 67% of DNT to increase its equity interest to 100% through the issue of 20.1 million shares. The new issue represented approximately 13.6% of shares on issue prior to the transaction, and was valued at A\$10.9m based on the share price at completion. The Dow Chemical Company agreed to enter into a tiered escrow arrangement over a three-year period over the share it received under the transaction, holding approximately 8.6% of Starpharma shares, and was granted the right to participate in any future capital raisings on a pro-rata basis during the escrow period.

24 October 2006 U.S. Clinical Trial of VivaGel™ for Genital Herpes Commences

Announcement that the San Francisco, U.S. site for the clinical trial of VivaGel™ for prevention of genital herpes had opened for recruitment of volunteers following successful completion of all site preparation activities, and local ethics committee and regulatory reviews.

13 November 2006 VivaGel™ Market Update

Announcement of a market update of the development program and associated timelines for VivaGel™, with first regulatory approval milestones anticipated to occur during the period from the end of 2009 to 2010.

1 December 2006 Retired Dow Corning chairman appointed to Starpharma Board

Appointment of Mr Richard Hazleton, the former chairman of the US-based global corporation Dow Corning, as a Non-Executive Director of Starpharma Holdings Ltd.

Operating Loss

For the half-year ended 31 December 2006 the consolidated entity incurred an operating loss after income tax of \$3,891,866 (December 2005: \$4,142,888).

Significant Changes in the State Of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report or in the financial statements.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

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



Peter T Bartels, AO
Director

23rd February 2007
Melbourne

STARPHARMA HOLDINGS Ltd
Consolidated income statement
For the half-year ended 31 December 2006

| | Half-year 2006 | Half-year 2005 |
|---|---------------------------|--------------------|
| | \$ | \$ |
| Revenue from continuing operations | 550,652 | 163,681 |
| Other income | 4,822,938 | 2,683,774 |
| Administration expense | (2,649,815) | (1,659,293) |
| Research and development expense | (6,353,382) | (5,028,653) |
| Finance costs | (20,597) | (12,940) |
| Share of results of associates accounted for using the equity method | (241,662) | (289,457) |
| Loss before income tax | (3,891,866) | (4,142,888) |
| Income tax expense | - | - |
| Loss for the year | (3,891,866) | (4,142,888) |
| Loss attributable to minority interests | - | - |
| Loss attributable to members of Starpharma Holdings Ltd | (3,891,866) | (4,142,888) |
| Basic loss per share | (2.5) cents | (3.5) cents |
| Diluted loss per share | (2.5) cents | (3.5) cents |

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

STARPHARMA HOLDINGS Ltd
Consolidated balance sheet
As at 31 December 2006

| | 31-Dec-06 | 30-Jun-06 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current Assets | | |
| Cash and cash equivalents. | 11,176,046 | 14,283,824 |
| Trade & Other Receivables | 3,662,637 | 2,824,267 |
| Other | 15,165 | - |
| Total current assets | 14,853,848 | 17,108,091 |
| Non-current assets | | |
| Property, plant and equipment | 1,384,910 | 1,431,124 |
| Intangible assets | 20,928,765 | 4,086,538 |
| Investments accounted for using the equity method | 13,069 | 2,387,312 |
| Total non-current assets | 22,326,744 | 7,904,974 |
| Total assets | 37,180,592 | 25,013,065 |
| Current Liabilities | | |
| Payables | 2,104,520 | 1,897,819 |
| Borrowings | 66,291 | 142,092 |
| Provisions | 295,448 | 331,447 |
| Deferred income | 999,625 | 661,337 |
| Total current liabilities | 3,465,884 | 3,032,695 |
| Non-current liabilities | | |
| Borrowings | 295,025 | 315,412 |
| Provisions | 87,684 | 107,630 |
| Deferred income | 205,144 | 241,342 |
| Deferred tax liabilities | 2,954,097 | - |
| Total non-current liabilities | 3,541,950 | 664,384 |
| Total liabilities | 7,007,834 | 3,697,079 |
| Net assets | 30,172,758 | 21,315,986 |
| Equity | | |
| Contributed equity | 76,226,628 | 65,375,467 |
| Reserves | 2,394,852 | 497,374 |
| Accumulated losses | (48,448,721) | (44,556,855) |
| Total equity | 30,172,758 | 21,315,986 |

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

STARPHARMA HOLDINGS Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2006

| | Half-year 2006 | Half-year 2005 |
|---|---------------------------|--------------------|
| | \$ | \$ |
| Total equity at the beginning of the year | 21,315,986 | 9,965,965 |
| Exchange differences on translation of foreign operations | (93,118) | 115,967 |
| Share of revaluation of IP within associate | 1,898,066 | - |
| Net income recognised directly in equity | 1,804,948 | 115,967 |
| Loss for the half-year | (3,891,866) | (4,142,888) |
| Total recognised income and expense for the half-year | (2,086,918) | (4,026,921) |
| Transactions with equity holders in their capacity as equity holders: | | |
| Employee share options | 92,530 | 97,960 |
| Contributions of equity, net of transaction costs | 10,851,160 | 18,565,881 |
| Total equity at the end of the half-year | 30,172,758 | 24,602,885 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

STARPHARMA HOLDINGS Ltd
Consolidated cash flow statement
For the half-year ended 31 December 2006

| | Half-year 2006 | Half-year 2005 |
|--|---------------------------|--------------------|
| | \$ | \$ |
| Cashflow from operating activities | | |
| Receipts from trade and other debtors | 175,521 | 32 |
| Grant income (inclusive of GST) | 4,751,230 | 962,662 |
| Payments to suppliers and employees (inclusive of GST) | (8,061,370) | (5,828,301) |
| Interest received | 354,349 | 149,219 |
| Interest expense | (20,597) | (12,940) |
| Net cash outflows from operating activities | (2,800,867) | (4,729,328) |
| Cashflow from investing activities | | |
| Proceeds from sale of property, plant and equipment | 391 | - |
| Proceeds from (payments for) other financial assets | - | 20,516 |
| Payments for property, plant and equipment | (115,390) | (28,050) |
| Payments for transaction costs on acquisition of subsidiary (net of cash acquired) | (90,986) | - |
| Net cash outflows from investing activities | (205,985) | (7,534) |
| Cashflow from financing activities | | |
| Proceeds from issue of shares | - | 12,910,500 |
| Share issue transaction costs | - | (778,671) |
| Lease repayments | (100,926) | (31,883) |
| Net cash inflows / (outflows) from financing activities | (100,926) | 12,099,946 |
| Net increase / (decrease) in cash and cash equivalents held | (3,107,778) | 7,363,084 |
| Cash and cash equivalents at the beginning of the period | 14,283,824 | 8,166,259 |
| Cash and cash equivalents at the end of the period | 11,176,046 | 15,529,343 |

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

STARPHARMA HOLDINGS Ltd
Notes to the consolidated financial statements
For the period ended 31 December 2006

1. Basis of preparation of half year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 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 2006 and any public announcements made by Starpharma Holdings Ltd 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.

2. Segment information

Business Segment

The consolidated entity operates in one business segment, being the discovery, development and commercialisation of dendrimers for pharmaceutical and other life science applications.

Geographic Segment

The consolidated entity operates in Australia, with the exception of Dendritic Nanotechnologies Inc. (DNT) which operates in the United States of America (USA). The results of DNT were accounted for by the equity method up until it became a wholly owned subsidiary of the consolidated group.

Following the 100% acquisition of DNT, it has been determined that on the basis of monitoring of the US operations, these operations represent a separate geographical segment. In prior periods, the results of DNT were equity accounted.

Secondary reporting format -geographical segments

| Half-year 2006 | Australia \$ | USA \$ | Total \$ |
|--------------------------------|-----------------|-------------|--------------------|
| Revenue and other income | 4,989,655 | 383,935 | 5,373,590 |
| Expenses | (7,875,111) | (1,148,683) | (9,023,794) |
| | (2,885,456) | (764,748) | (3,650,204) |
| Share of results of associates | | | (241,662) |
| Loss before income tax | | | (3,891,866) |
| Segment net assets | 14,145,075 | 16,027,684 | 30,172,759 |

3. Revenue and Other Income

| | Half-year 2006 \$ | Half-year 2005 \$ |
|--|-------------------------|-------------------------|
| Consolidated Revenue and Other Income | \$ | \$ |
| Customer & License Revenue | 197,600 | 0 |
| Interest Revenue | 351,652 | 163,649 |
| Other Revenue | 1,400 | 32 |
| Total Revenue | 550,652 | 163,681 |
| Aust Government P3 Grant | 122,802 | 320,148 |
| US Government Grants | 4,700,136 | 2,363,626 |
| Total Other Income | 4,822,938 | 2,683,774 |
| Total Revenue/Other Income | 5,373,590 | 2,847,455 |

4. Expenses

| | Half-year 2006 | Half-year 2005 |
|--|---------------------------|-------------------|
| | \$ | \$ |
| Loss from ordinary activities before income tax expense includes the following items: | | |
| Depreciation | 311,877 | 381,427 |
| Amortisation | 734,989 | 212,780 |
| Rental expense on operating leases | 215,623 | 189,401 |

5. Equity securities issued

| Date | Details | Number of Shares | Issue Price | \$ |
|-------------|---------------------------------|-----------------------------|--------------------|-------------------|
| 1-Jul-05 | Opening Balance | 111,235,000 | | 46,821,956 |
| 10-Oct-05 | BRI Share Placement | 7,112,000 | \$0.62 | 4,373,880 |
| 17-Nov-05 | Share Placement | 9,573,250 | \$0.51 | 4,882,358 |
| | Less: Transaction Costs | | | (244,118) |
| 29-Dec-05 | Share Placement & SPP | 19,818,995 | \$0.51 | 10,107,687 |
| | Less: Transaction Costs | | | (566,296) |
| 20-Oct-06 | DNT Acquisition Share Placement | 20,094,741 | \$0.54 | 10,851,160 |
| | | 167,833,986 | | 76,226,627 |

Under the DNT acquisition share placement, Starpharma acquired the remaining 67% of equity in Dendritic Nanotechnologies Inc. (DNT). The value of the shares issued, measured at the published market price on the date of completion, was recorded to the balance sheet as an intangible asset, representing the value of patents and goodwill.

6. Earnings per Share

| | Half-year 2006 | Half-year 2005 |
|---|---------------------------|---------------------------|
| | Cents | Cents |
| Basic loss per share | (2.5) | (3.5) |
| Diluted loss per share | (2.5) | (3.5) |
| Net loss attributable to members of Starpharma Holdings Ltd used as the numerator in calculating diluted and basic earnings per share | (3,891,866) | (4,142,888) |
| Weighted average number of ordinary shares outstanding during the half-year used as the denominator in calculating diluted and basic earnings per share | 155,711,615 | 117,107,550 |

7. Contingent liabilities

The company has no contingent liabilities.

8. Business Combination

(Appendix 4D item 4)

On 20th October 2006, Starpharma Holdings Ltd acquired the remaining 67% of equity in Dendritic Nanotechnologies Inc. (DNT), an unlisted USA Delaware corporation, located in Michigan state, USA. DNT focuses on dendrimer nanotechnology applications, within the life science sector. Pre the acquisition, Starpharma Holdings Ltd was a 33% shareholder in DNT.

The total cost of the acquisition was \$11,082,790 comprising of the issue of ordinary shares in Starpharma Holdings Ltd and the costs directly attributable to the acquisition. The Group issued 20,094,741 shares with a fair value of \$0.5400 per share, based on the closing quoted price of Starpharma Holdings Ltd shares at the date of the exchange.

The fair value of the identifiable assets and liabilities of DNT as at the date of acquisition are:

| | Consolidated | |
|---|---|---|
| | 100% Acquiree's carrying value | Recognised on 67% of acquisition |
| Assets | | |
| Cash and cash equivalents | 140,644 | 94,607 |
| Trade & other receivables | 357,387 | 240,403 |
| Other assets | 52,918 | 35,596 |
| Property, plant & equipment | 150,841 | 101,466 |
| Intangible assets | 5,837,456 | 10,022,747 |
| Deferred tax asset | - | 217,794 |
| Liabilities | | |
| Trade & other payables | (157,813) | (106,156) |
| Other current liabilities | (38,654) | (26,001) |
| Employee provisions | (61,329) | (41,254) |
| Deferred tax liability | - | (2,133,628) |
| Fair Value of identifiable net assets | 6,281,450 | 8,405,574 |
| Goodwill arising on consolidation | | 2,677,216 |
| Cost of the combination: | | |
| Shares issued at fair value | | 10,851,160 |
| Costs associated with the acquisition | | 231,630 |
| Total cost of the acquisition | | 11,082,790 |
| The cash outflow on the acquisition is as follows: | | |
| Net cash acquired with the subsidiary | | 140,644 |
| Costs associated with the acquisition | | (231,630) |
| Net cash outflow | | (90,986) |

From the date of acquisition, DNT contributed a net loss to the end of the half-year of \$764,748, based on the average monthly USD exchanges rates.

If the combination had occurred on 1 July 2006, the consolidated loss for the Group would have been \$5,056,455 for the half-year ended 31 December 2006. of which \$1,388,396 would be amortisation of intellectual property. Revenue and other income would have been \$5,703,701 for the half-year.

Prior to the business combination, Starpharma held 33% of the identifiable intangible assets of DNT. The identifiable net assets have been uplifted to fair value by \$2,936,000. This has been recognised through the revaluation reserve net of a deferred tax liability of \$1,038,000.

8. Business Combination (continued)

Following the business combination, intangible assets are stated as follows:

| | 31-Dec-06 | 30-Jun-06 |
|--|--------------------------|-------------------------|
| | \$ | \$ |
| Goodwill | 2,677,216 | - |
| Intellectual Property acquired through DNT transaction | 14,363,940 | - |
| Patents and licences | 3,887,609 | 4,086,538 |
| | <u>20,928,765</u> | <u>4,086,538</u> |

The intellectual property acquired through the DNT business combination was valued at \$14,900,000. The carrying value of \$14,363,940 at 31 December 2006 is net of amortization of \$536,060 charged from 20 October 2006 to 31 December 2006.

9. Events occurring after reporting date

NIH Funds Further Clinical Development of VivaGel™

On 13 February 2007 the company signed an agreement with the National Institute of Allergy and Infectious Diseases (NIAID) and the National Institute of Child Health and Human Development (NICHD) of the US National Institutes of Health (NIH), to provide funding of a further clinical trial of VivaGel™ in sexually active women.

The trial will be conducted by The Microbicide Trials Network (MTN), a worldwide collaborative clinical trials network established by Division of AIDS (DAIDS) of the NIAID to evaluate the safety and efficacy of microbicides. The trial will be sponsored by NIAID and NICHD, and co-sponsored by Starpharma.

The study will be conducted at two sites, University of South Florida, Tampa, Florida and University of Puerto Rico, San Juan, Puerto Rico.

EMD Biosciences Agreement

On 19 February 2007 the company announced that DNT had entered into a worldwide exclusive license and supply agreement with EMD Biosciences, part of Merck KGaA's Performance and Life Science Chemicals division. Under the terms of the agreement, DNT will supply EMD Biosciences with Priofect™ transfection reagents based on Priostar™ proprietary dendrimers for the DNA and siRNA transfection research markets.

There are no further matters or circumstances which have arisen since 31 December 2006 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

STARPHARMA HOLDINGS Ltd
Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 15 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 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Starpharma Holdings Limited 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.

A handwritten signature in black ink, appearing to read 'Peter T Bartels', written in a cursive style.

Peter T Bartels, AO
Director

Melbourne, 23rd February 2007



INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Starpharma Holdings Limited

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website: www.pwc.com/au
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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Starpharma Holdings Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Starpharma Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Starpharma Holdings Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and 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*. As the auditor of Starpharma Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Starpharma Holdings Limited (the company) for the half-year ended 31 December 2006 included on Starpharma Holdings Limited web site. The company's directors are responsible for the integrity of the Starpharma Holdings Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'SC Bannatyne'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'SC Bannatyne'.

SC Bannatyne
Partner

Melbourne
23 February 2007



PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the review of Starpharma Holdings Limited for the half year ended 31 December 2006, 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.

PricewaterhouseCoopers

SC Bannatyne
Partner

Melbourne

23 February 2007

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STARPHARMA HOLDINGS Ltd
Supplementary Appendix 4D information

NTA Backing*(Appendix 4D item 3)*

| | 31 December 2006 | 31 December 2005 |
|---|-----------------------------|-----------------------------|
| Net tangible asset backing per ordinary share | \$0.06 | \$0.17 |

Associates and Joint Venture entities*(Appendix 4D item 7)*

The interests in associates are accounted for in the interim financial statements using the equity method of accounting. The Group has an interest in the following entities:

| Name | Ownership interest % | | \$ Contribution to net profit / (loss) | |
|---------------------------------|-----------------------------|-------------|---|------------------|
| | 31 December | | Half-year | |
| | 2006 | 2005 | 2006 | 2005 |
| Dimerix Bioscience Pty Ltd | 22.0 | 24.9 | - | 18,170 |
| Dendritic Nanotechnologies Inc. | 100.0 | 32.9 | (241,662) | (307,629) |
| Total | | | (241,662) | (289,459) |

The contribution to net loss for Dendritic Nanotechnologies Inc. (DNT) in the above table is only for the period from 1 July 2006 until the 100% acquisition in October 2006.

Other significant information

Potential ordinary shares not considered dilutive:

As at 31st December 2006 the company had on issue:

120,000 options over unissued capital exercisable on or before the 11th April 2007 at the price of 93.75 cents per ordinary share.

200,000 options over unissued capital exercisable on or before the 30th June 2007 at the price of 93.75 cents per ordinary share.

200,000 options over unissued capital exercisable on or before the 31st December 2008 at the price of 73.00 cents per ordinary share.

620,000 options over unissued capital exercisable on or before the 8th February 2009 at the price of 93.75 cents per ordinary share.

167,000 options over unissued capital exercisable on or before the 31st December 2009 at the price of 93.75 cents per ordinary share.

100,000 options over unissued capital exercisable on or before the 12th May 2010 at the price of 93.75 cents per ordinary share.

300,000 options over unissued capital exercisable on or before the 4th July 2010 at the price of 93.75 cents per ordinary share.

100,000 options over unissued capital exercisable on or before the 18th July 2010 at the price of 93.75 cents per ordinary share.

500,000 options over unissued capital exercisable on or before the 30th June 2009 at the price of 45.08 cents per ordinary share.

1,324,000 options over unissued capital exercisable on or before the 6th October 2010 at the price of 50.13 cents per ordinary share.

Other Supplementary Information

Appendix 4D items 5, 6, 8 and 9 are not applicable.

Audit

This report is based on accounts which are subject to review.

Compliance Statement

This half year report was approved by a resolution of the Board of Directors of the Company on 23rd February 2007.



Ben Rogers
Company Secretary
23rd February 2007