



FUSION IP PLC

("Fusion IP" or "the Company")

£770k investment in Diurnal

Fusion IP (AIM: FIP), the university commercialisation company which turns university research into business, is pleased to announce that its portfolio company, Diurnal, has successfully completed a £770k funding round that will enable its lead product, Chronocort®, to complete its Phase I trials and initiate its Phase 2 trials.

Based in Cardiff, Diurnal is developing a novel approach to drug delivery which will help patients suffering from reduced cortisol and testosterone levels. Chronocort® is a delayed and sustained release therapy that delivers hydrocortisone in a manner that mimics the body's normal circadian rhythm (the body's natural 24 hour hormone cycle). This therapeutic approach has the potential to help patients with deficiencies in steroid hormones and associated conditions by regulating metabolism, growth development and puberty, tissue function and in determining mood. Each of these deficiencies requires life-long treatment and Diurnal's novel approach to drug delivery has the potential to drastically improve patients' lives.

The £770k funding round includes investments from existing investors Fusion (£210k) and Finance Wales (£210k), and Sarum Partners LLP, on behalf of its Oncology focused Fund. Diurnal will have a post money valuation of £2.8million.

Chronocort® has already received two related Orphan Drug designations from the European Medicines Agency, which affords ten years of market exclusivity after the grant of marketing authorisation in Europe.

Following the fund raising Fusion will have a 43.2% shareholding in Diurnal.

David Baynes, Chief Executive Officer of Fusion IP, commented:

"We are delighted to see the Diurnal making such positive progress. The company now has an excellent investor base and the structured funding round will see the company's lead product in Phase 2 trials by 2011."

Martin Whitaker, General Manager at Diurnal Ltd, added:

"Our lead compound Chronocort® is focused on delivering a delayed and sustained release hydrocortisone therapy that will benefit patients suffering from Adrenal Insufficiency and

Congenital Adrenal Hyperplasia. Following today's fundraising, Chronocort® is poised to complete its Phase I clinical trials early next year and progress development rapidly into patient trials."

Melanie Goward, investment executive at Finance Wales, said:

"Finance Wales is pleased to be part of a strong investor syndicate in this latest round. Diurnal's approach to drug delivery has great potential and this investment will enable it to complete Phase 1 and initiate Phase 2 trials of its lead product. We look forward to their successful completion."

Jonny Laughton, Sarum Partners LLP said: "Sarum likes this Company because of the approach which enables the Company to focus on optimising therapeutic performance principally by altering the drug delivery modality and treatment regimes and so enables Diurnal to significantly de-risk the development programme.. We view the Diurnal opportunity as a very exciting Orphan drug story addressing a large unmet need which offers exposure to Phase II clinical trial data within a very short time."

For further information please contact:

Fusion IP

+44 (0)114 275 5555

David Baynes, CEO
Tony Gardiner, CFO

Diurnal

+44 (0)7812 099448

Martin Whittaker

Seymour Pierce

+44 (0)20 7107 8000

Chris Howard, Corporate Finance
Catherine Leftley, Corporate Finance
David Banks, Corporate Broking

About Fusion IP

Fusion IP plc (Fusion) was established in 2002 to commercialise university-generated intellectual property. It has long-term exclusive agreements with two of the UK's leading research intensive universities, the University of Sheffield and Cardiff University, giving it exclusive access to a combined R&D spend of over £185m a year.

Fusion's first agreement was a ten-year exclusive arrangement with the University of Sheffield giving it the right to commercialise (through both the creation of spin-out companies and licensing) research, owned by the University, initially in the area of medical life sciences. This agreement was expanded in July 2008 to include all non-life science research-generated IP such as energy, engineering and electronics. Fusion has significant shareholdings in a portfolio of University of Sheffield spin-out companies including Simcyp, Magnomatics, Diurnal and Phase

Focus.

In January 2007, Fusion completed a ten year exclusive agreement with Cardiff University, also giving it the right to commercialise (through the creation of spin-out companies) Cardiff University's research-generated IP. Fusion has significant shareholdings in a portfolio of Cardiff University spin-out companies including Mesuro, Abcellute, MedaPhor and Q-Chip.

On 2 December 2009 Fusion announced that it had raised approximately £3.2 million through a fund raising and that as a result, IP Group held approximately 19.8% of Fusion.

Fusion has also entered into a new Co-Investment Agreement with IP Group, in which IP Group has the right to acquire for cash, 20% of Fusion's equity in any new portfolio company. As Fusion normally owns 60% of any new portfolio company at start-up, IP Group's shareholding would normally equate to a 12% stake in the new portfolio company.

Fusion IP also has a Memorandum of Understanding with Finance Wales, the provider of commercial funding to Wales-based SMEs, which outlines a strategy of co-investment in opportunities arising from the Cardiff Agreement.

About Finance Wales

Finance Wales plc provides commercial funding to small and medium-sized businesses throughout Wales, enabling them to realise their potential for innovation and growth. A subsidiary of the Welsh Assembly Government, Finance Wales manages funds of more than £280million and has invested over £130million through more than 2,200 investments. It has also leveraged an additional £332million in private-sector investment. In April 2009 the company launched a new £150 million commercial investment fund through the EU's JEREMIE initiative, utilizing funding from the European Investment Bank and EU.

About Sarum Partners LLP

Sarum Partners is a proprietary fund investing in the entire value chain within the Oncology sector. This value chain covers therapeutics through diagnostics, medical devices and after care. The partners leverage up their expertise in the oncology sector and combine it with scientific, clinical and City expertise to enable best of breed selection from amongst the oncology companies in Sarum's universe.

The Partners include some of the top names amongst oncology specialists and entrepreneurs in the UK and abroad including Professor Tony Atkinson (Protherics Plc), Dr George Cautherley (HCD Holdings), Sir Roger Jones (Wellcome Trust, Penn Pharmaceuticals), Professor Gordon McVie (Cancer Research UK), Dr Nick Plowman (Barts and Great Ormonde St), Dr Karol Sikora (Cancer Partners UK) and Dr Andy Shuttleworth (CAMAR.)

Sarum will launch a fund open to non Partners once regulatory approval has been granted.