

DIFFUSION PHARMACEUTICALS ANNOUNCES \$1 MILLION GRANT AND, CITING GROWTH, TWO NEW HIRES

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CHARLOTTESVILLE, VA – Wednesday, September 8, 2004 – Diffusion Pharmaceuticals, an early-stage pharmaceutical company which discovers and develops novel small-molecule therapeutics, today announced it has been awarded a \$1 million appropriation in the FY 2005 Defense Budget, which President Bush signed last month. These funds are allocated for studies to advance its lead compound, *trans sodium crocetinate* (TSC), toward human trials. TSC is being developed for the treatment of life-threatening illnesses characterized by hypoxia (oxygen deprivation at the cellular level) including hemorrhagic shock following severe blood loss. David Kalergis, JD/MBA, CEO of Diffusion, also announced the addition of two new hires, Dr. Chris Dvergsten and Ms. Kelly Hoy, Senior Director of Scientific Affairs and Director of Regulatory Filings, respectively.

Along with other Virginia-based defense projects, the \$1 million allocation awarded to Diffusion was sponsored by U.S. Senator John Warner, R-Va. “I’m proud of Virginia’s contribution to our national defense, and this funding will ensure that the military personnel in the Commonwealth will continue to lead in keeping America free,” stated Senator Warner, a veteran of World War II and the Korean war and Chairman of the Senate Armed Services Committee.

In addition to this \$1 million grant, earlier this year Diffusion received a \$1.2 million grant (N00014-04-C-0146) from the Office of Naval Research (ONR). The total \$2.2 million in military funding awarded this year is targeted at advancing the company’s platform technology of *trans bipolar carotenoid* or TBC molecules. Human trials are expected to begin in 2005 for TSC, Diffusion’s lead TBC molecule. Diffusion also plans to advance a number of its other proprietary compounds through the U.S. Food and Drug Administration (FDA) approval process for use in humans.

To date, the Company has raised more than \$3 million in private equity investments. Another round of financing is planned in early 2005 to further support the Company’s growth and infrastructure development.

Diffusion also announced two key hires: Chris Dvergsten, PhD, as its Senior Director of Scientific Affairs and Kelly Hoy, Director of Regulatory Filings.

Dr. Dvergsten has over 23 years of PhD-level experience, with an emphasis on scientific research in the life sciences and new pharmaceutical development, and numerous peer-reviewed publications to his credit. His 11 years of basic science research experience in neuroscience and toxicology are balanced by an additional 12 years experience in evaluating and moving novel drugs into clinical testing. Dr. Dvergsten received his BA in Biology from Luther College, Decorah, IA, in 1974 and his PhD in Anatomy from the University of North Dakota, Grand Forks, ND, in 1981. Dr. Dvergsten is a former Assistant Professor of Neurosurgery at the University of Virginia.

Kelly Hoy has more than 16 years experience performing various duties in contract research organizations. Her most recent positions have included working with medical writing and regulatory affairs in preparing clinical study and regulatory documents for pharmaceuticals being submitted to the FDA for approval. She will be responsible for coordinating activities related to the writing, assembly, and filing of an Investigational New Drug Application for each of Diffusion's therapeutics.

"Our platform technology and growing drug-development programs required these positions be filled with seasoned experts", said Kalergis. "Chris and Kelly will significantly strengthen our management team as we advance our lead drug toward clinical trials".