

27 August 2008

Source BioScience plc

(“Source BioScience” or “the Company” or “the Group”)

Proposed Capital Restructuring

The Board of Source BioScience (LSE: SBS) the provider of expert, quality services and products to the healthcare, pharma biotech and life science research sectors, announces that it is proposing that the Company cancel its share premium account in order to restructure the Company’s balance sheet, subject to shareholder and court approval, to enable the payment of future dividends out of distributable profits and provide the flexibility for the Company to purchase its own shares, should circumstances and opportunity allow.

Laurie Turnbull, Executive Chairman said: **“Source BioScience continues to make good progress across all divisions and the benefits of the integration of Autogen Bioclear are coming through. Recognising the enhanced prospects for the Company, the Board wants to enable the payment of future dividends out of distributable profits. The Board also recognises the importance of the Company having the flexibility to purchase its own shares. Together, the ability of the Company to pay dividends and acquire its own shares are important components of the Board’s strategy to deliver value to shareholders and we therefore strongly believe that the proposed restructuring is in the best interests of the Shareholders.”**

---ENDS---

For further information, please contact:

Source BioScience plc

Nick Ash - Managing Director
www.sourcebioscience.com

0115 973 9010

Bishopsgate Communications Ltd

Nick Rome
Gemma O’Hara

0207 562 3350

Advisors:

Charles Stanley Securities

Mark Taylor
Ben Johnston

0207 149 6000

Hichens, Harrison & Co. plc

Martin Lampshire

0207 588 5171

BACKGROUND TO AND REASONS FOR THE PROPOSED CAPITAL RESTRUCTURING

The Board wants to position the Company to be able to pay future dividends out of distributable profits in the event that the Company is profitable and has sufficient resources to do so. In addition, the Board recognises the importance of having the flexibility for the Company to purchase its own shares, should circumstance and opportunity allow. The ability of the Company to pay dividends and acquire its own shares, are important components of the Board's strategy to deliver value to shareholders.

As at 31 December 2007, the Company had an accumulated deficit on its profit and loss account of £21,756,000 and the balance on the Company's share premium account was £32,284,000. The deficit on the profit and loss account has arisen principally as a result of the impairment of investments in subsidiary companies following disposal of those business activities. Additionally, the Company has historically borne central costs on behalf of the Group including professional fees, premises costs, insurance and finance costs and the costs of the Board of Directors. Until the accumulated deficit on its profit and loss is eliminated, the Company will be unable to make any distribution to its shareholders.

Share Premium Cancellation

Under the Act, a company may reduce or cancel its share premium account if so authorised by its Articles of Association providing it obtains the approval of its shareholders by special resolution in general meeting and that the Court confirms the reduction or cancellation. The Company is therefore seeking the approval of Shareholders to cancel the Company's share premium account.

If approved by Shareholders the Company will, as soon as practicable, apply to the Court for an appropriate Court Order. It is expected the Court Order will be made in October 2008. The cancellation of the Company's share premium will become effective on the Effective Date soon thereafter.

The aim of the cancellation of the Company's share premium account is to eliminate the deficit on the Company's profit and loss account which existed as at 31 December 2007 and to create distributable reserves. It is intended that, on the Effective Date, the Company's share premium account, which on 31 December 2007 stood at £32,284,000, will be cancelled and this amount will be credited to the Company's profit and loss account which existed at 31 December 2007 creating a reserve of £10,528,000. The Court will be concerned to ensure that the interests of creditors as at the Effective Date are not prejudiced. The Company may be required to give such undertakings or other form of creditor protection as the Court may require for the protection of the Company's creditors at the Effective Date. These may include seeking the consent of the creditors to the cancellation of the share premium account. The Company will give such undertakings as it may be advised is appropriate in the circumstances.

Following the share premium cancellation (and subject to the terms of any undertaking as referred to above), the Directors will be in a position to consider the payment of dividends out of the future distributable profits generated after the Effective Date. It should be noted that the reduction of the share premium account will not, in itself, involve any distribution or repayment of capital by the Company to any Shareholder or other person, and will not effect the Company's net asset position.

Share Buyback

The Directors believe that in its current position the flexibility for the Company to purchase its own shares could represent good use of the Company's available cash resources and, by increasing earnings per share and net asset value per share, will maximise shareholder value, should circumstances and opportunity allow. Accordingly, the Board is proposing that the Company be authorised to make market purchases of its Ordinary Shares. The authority being sought would permit a maximum of 10 per cent. of the Company's issued share capital to be purchased, representing 20,376,523 Ordinary Shares. The minimum and maximum

prices at which shares could be purchased would be 2 pence and 105 per cent. of the closing middle market quotation for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc for the 5 business days immediately preceding the date on which the Ordinary Shares are purchased. The authority would expire at the Company's next Annual General Meeting unless renewed at that time.

Any Ordinary Shares purchased under such authority would be held by the Company as treasury shares. Shares held in treasury are available for resale, transfer to an employee share scheme or subsequent cancellation.

The total number of Ordinary Shares which may be issued on the exercise of outstanding options as at 31 December 2007 is 16,389,610 which represents 8.0 per cent. of the issued ordinary share capital as at that date. If the Company were to purchase shares up to the maximum permitted by the proposed authority the proportion of Ordinary Shares subject to outstanding options would represent 8.9 per cent. of the issued ordinary share capital as at 31 December 2007. There are no warrants outstanding.

Circular

A Circular containing further details of the Proposals convening the General Meeting has been posted to Shareholders today.

Expected Timetable of Principal Events:

Latest time and date for receipt of Forms of Proxy	10.00 am on 17 September 2008
General Meeting	10.00 am on 19 September 2008
Court hearing of application to confirm the cancellation of share premium account	29 October 2008
Anticipated date on which the cancellation of share premium account becomes effective	7 November 2008

A copy of the circular has been submitted to the UK Listing Authority's Document Viewing Facility and will shortly be available for inspection at The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS, Tel: 0207 066 1000.

DEFINITIONS

"Act"	the Companies Act 1985 (as amended) or as replaced by the Companies Act 2006 or otherwise
"Articles"	the articles of association of the Company
"the Board" or "the Directors"	the directors of the Company at the date of this document
"Company" or "Source BioScience"	Source BioScience plc
"Court"	the High Court of Justice in England and Wales
"Court Order"	the order of the Court confirming the share premium account cancellation
"Effective Date"	the date on which the proposed cancellation of the Company's share premium account becomes effective, expected to be on or around 7 November 2008
"General Meeting"	the general meeting of the Company, convened for 10am on 19 September 2008, and any adjournment thereof, notice of which is set out at the end of this document
"Group"	Source BioScience and its subsidiaries

"Ordinary Shares"	ordinary shares of 2 pence each in the capital of the Company
"Proposals"	the proposals for the cancellation of the Company's share premium account and buy-back of own shares in each case as described in this document
"Shareholders"	holders of Ordinary Shares