

7th December 2005

Biofusion announces start of Phase I clinical study on Chronocort

Biofusion plc ("Biofusion" or the "Company") (AIM:BFN), announces that its subsidiary Diurnal Limited ("Diurnal"), in collaboration with Phoqus Group plc ("Phoqus"), has begun its Phase I clinical trials programme on Chronocort – the first Circadian Endocrine treatment for adrenal insufficiency.

Diurnal has a collaboration programme with Phoqus to develop Chronocort, a once-daily modified release hydrocortisone tablet for the treatment of adrenal insufficiency, a condition which causes Addison's disease, hypopituitarism and congenital adrenal hyperplasia. Current steroid therapies for these conditions do not mimic the natural circadian rhythm of the native steroid hormone, creating an unmet need in the worldwide market valued at in excess of £75 million per year. Biofusion believes that a sustained-release tablet using Diurnal's technologies would address this need effectively and provide a much needed treatment.

The initial Phase I trial, which will involve healthy volunteers dosed with the modified release hydrocortisone tablet formulation, is expected to be completed in early 2006. The objective is to evaluate the correlation between in-vitro hydrocortisone releases with the in-vivo blood levels observed following oral administration.

Under the terms of the agreement, Phoqus is supplying Diurnal with the tablets for the drug, which has already obtained orphan medicinal product designation in the EU.

David Baynes, Chief Executive Officer of Biofusion, said:

"We are pleased to see Chronocort entering Phase 1 clinical trials as planned. We value Diurnal's partnership with Phoqus, and look forward to progressing this product to the market with them."

Andy Jones, Chief Executive Officer of Phoqus, commented:

"We are delighted that Chronocort has entered Phase I. Our technology allows the modified release of the drug into the patient which we believe is crucial for effective treatment, and should greatly benefit patients with simplified dosing and reduced side effects. "

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Notes to editors

About Diurnal

Founded in 2004 Diurnal is a spin-out company from the University of Sheffield and is backed by majority shareholder Biofusion, an AIM listed company founded in 2002 to commercialise university intellectual property. Diurnal seeks to develop means for the controlled and sustained release of steroids and intends its first product to be based on the delivery of hydrocortisone, in a manner which mimics the circadian rhythm. This marked rhythm, with high levels in the morning and low levels at night, is lost in patients with adrenal insufficiency.

The Diurnal management believe that their product will offer a potential much needed improvement in steroid treatment for patients with congenital adrenal hyperplasia, a form of adrenal insufficiency.

About Biofusion

Biofusion was established in 2002 to commercialise university-generated IP. In February 2005 Biofusion listed on Aim and raised £8.2m for the commercialisation of IP owned by the University of Sheffield in the area of medical life sciences. It has agreed a ten-year exclusive arrangement with the University which also gives Biofusion shareholdings in an existing portfolio of eight spin-out companies. The University of Sheffield is a world class life sciences research centre, spending £30m in 2002/3 on research in medical life sciences. This spending level is expected to grow year on year giving an estimated £0.5bn of research funding over the next ten years. The University, which celebrates its centenary this year, can count five Nobel Prize winners among its alumni and researchers, and data from the latest UK Government's Research Assessment Exercise 2001 ("RAE 2001") showed it ranked fifth in the UK for the quality of its life sciences research. Biofusion is listed on AIM under the symbol "BFN".

Further Information on Biofusion can be found at www.biofusion.co.uk

About Phoqus

Phoqus is a drug delivery company using proprietary electrostatic powder coating technology, LeQtracoat®, to provide an extensive range of innovative systems targeting the oral drug delivery market. Phoqus has five collaboration agreements, three of which are with leading pharmaceutical companies. Phoqus is the only company using electrostatic powder coating technology for pharmaceutical applications and has over 120 granted patents.

The Company's products target the established and growing oral drug delivery sector, which is valued at over \$31 billion, and address the major oral sectors including modified release, fast dissolve, low dose and combination drugs. Drug delivery technologies are applied to pharmaceuticals to provide benefits such as controlling the release of a drug into the body, enhancing patient compliance and improving the performance and efficacy of an existing drug. In turn, these benefits enable pharmaceutical companies to extend the life cycles of their products, strengthen their patent protection and thereby enhance the value of their marketed products and development pipelines.

In addition, the Company has developed its coating technology to create novel images on drug tablets as a means of brand enhancement and protection against counterfeiting.

Phoqus has also been successful in developing additional applications for the LeQtracoat® technology in pharmaceutical capsules, medical devices and detergent tablets, and is in discussions regarding potential collaborations with several leading companies in these areas.

To assist the delivery of its strategy, Phoqus has entered into a strategic partnership with Cardinal Health, the world's largest supplier of services to the healthcare industry, to provide commercial scale GMP manufacturing to collaboration partners. Cardinal Health also co-markets Phoqus' drug delivery and image enhancement systems in all major markets.

Phoqus, based in Kent, was established in 1998 as a spin-out from Colorcon, a division of Berwind Pharmaceutical Services Inc.

The Company was admitted to trading on AIM in November 2005 raising £10m and is listed on AIM under the symbol "PQS".

Further background on the Company can be found at www.phoqus.com.