

5 July 2007



BIOFUSION PLC
(“Biofusion” or “the Company”)

DIURNAL’S COLLABORATION PARTNER PHOQUS TO RAISE £5M TO PROGRESS CHRONOCORT™ THROUGH PHASE III CLINICAL TRIALS

Biofusion plc (AIM: BFN), the university IP commercialisation company that turns world class research into business, is today pleased to note that Phoqus Group plc (“Phoqus”), the oral drug delivery and development company that is working in collaboration with Biofusion’s subsidiary company Diurnal Limited (“Diurnal”), the Sheffield-based drug development company, intends to raise approximately £5 million (gross) to progress Chronocort™, a controlled release formulation of hydrocortisone to treat adrenal insufficiency, through Phase III pivotal clinical trials. Chronocort™, which has European Orphan Medicinal Product designation, is being developed in collaboration with Diurnal and is expected to be available on the market at the end of 2009. Diurnal, in which Biofusion holds an equity 60% stake, expects Chronocort™ to generate significant royalty revenues in a market believed to be worth in excess of £100 million.

Chronocort™ is a modified release formulation of hydrocortisone that will treat adrenal insufficiency (hypocortisolism), where the adrenal gland is unable to produce adequate amounts of cortisol in response to stress, and congenital adrenal hyperplasia, a serious genetic disorder caused by the deficiency of an enzyme responsible for cortisol production.

The Chronocort™ product is designed to mimic the natural rhythm of hormone levels in the body, which is considered important in controlling disease symptoms, and reducing unwanted side effects.

Commenting on this announcement, David Baynes, CEO of Biofusion, said: *“As the majority shareholder in Diurnal this is excellent news for Biofusion. Chronocort™ has the potential to generate significant revenues for Biofusion over the next ten years and we believe this will be the first of a number of products that will be developed utilising Diurnals intellectual property. The continued development of Chronocort™ demonstrates the value of intellectual property being created within the Biofusion portfolio.”*

Professor Richard Ross, founder director of Diurnal Limited, said: *“We are delighted to be working in collaboration with the first class research and*

development team at Phoqus and to be progressing the Chronocort™ product through Phase III pivotal clinical trials. There is a serious unmet medical need surrounding the symptoms of adrenal insufficiency and I am extremely positive that the product will be welcomed to the market with significant demand from patients and healthcare professionals.”

The press release issued by Phoqus Group plc follows in full below:

West Malling, UK--Phoqus Group plc (AIM: PQS) ("Phoqus" or the "Company"), the oral drug delivery and development company, today announces a proposed fundraising to raise £5.0 million (\$10.1 million) net of expenses by way of a Placing of new Ordinary Shares to UK institutional investors and a management subscription. The Placing is fully underwritten by the Company's nominated adviser, Nomura Code Securities Limited.

The Fundraising is conditional, *inter alia*, on the approval of Shareholders. A circular convening an EGM of the Company, which is expected to take place on 26 July 2007, is being posted to Shareholders. Application will be made to the London Stock Exchange for the new Ordinary Shares to be admitted to trading on the AIM market of the London Stock Exchange. It is expected that Admission will become effective and that dealings on the new Ordinary Shares will commence on 27 July 2007.

PLACING HIGHLIGHTS AND STRATEGIC UPDATE

- Phoqus to raise approximately £5.0 million (\$10.1 million) net of expenses by way of a conditional fundraising to certain new and existing Shareholders of 10,409,300 new Ordinary Shares at an issue price of 50 pence per new Ordinary Share
- The funds raised will be used to progress the in-house development of Chronocort, the Company's product for the treatment of congenital adrenal hyperplasia ("CAH") and adrenal insufficiency ("AI"), through pivotal Phase III clinical trials
- The funds will also be used to provide the Company with the financial resources to implement its new strategy of developing in-house novel therapeutic products targeting unmet medical needs using its proprietary delivery technologies

Commenting on the proposed Placing, Dr. Richard Mason, Chief Executive of Phoqus, said: "We are delighted to have the on-going support of our strong list of existing investors and to welcome new very high quality investors to the Company. This fundraising will allow us to progress our first major in-house product opportunity, Chronocort, through its pivotal Phase III clinical trials."

"Having conducted a strategic review, we have decided to focus the Company's strategy on the development of novel therapeutic products that meet real and significant unmet medical needs. Chronocort is an excellent example of our ability to do this, using our advanced drug delivery technologies to improve or change the way that drugs behave in the body. We look forward to using these technologies at Phoqus to generate a valuable new pipeline of products able to bring significant benefits to patients."

For further information about Biofusion, please contact:

Biofusion

David Baynes / Stuart Gall

+44 (0) 114 275 5555

Buchanan Communications

Lisa Baderoon / Mary-Jane Johnson /
Catherine Breen

+44 (0)20 7466 5000

About Biofusion

Biofusion was established in 2002 to commercialise university-generated IP. Biofusion has signed long term agreements with two of the UK's top ten research intensive universities (University of Sheffield and Cardiff University) giving a combined R&D spend attributable to Biofusion of approximately £114 million a year.

Biofusion's first agreement was a ten-year exclusive arrangement with the University of Sheffield for the commercialisation of IP owned by the University in the area of medical life sciences. Biofusion has shareholdings in a portfolio of 16 Sheffield University spin-out companies including Asterion, Axordia, Biohydrogen, Lifestyle Choices, Diurnal and Phase Focus. The University of Sheffield was ranked 5th in the UK for the quality of its life sciences research and will be spending an estimated £0.5bn of research funding over the lifetime over the life of the Sheffield Agreement.

In January 2007, Biofusion completed a long-term exclusive agreement with Cardiff University, to commercialise 100% of all Cardiff University's research-generated IP. Biofusion has shareholdings in a portfolio of seven Cardiff University spin-out companies including Abcellute, Q-Chip and Cardiff Protides. Cardiff University was ranked 7th in the UK in the most recent research rankings and will be spending over £1.0bn of research funding over the lifetime over the life of the Cardiff Agreement.

About Diurnal

Founded in November 2004, Diurnal has already entered into an agreement to develop a tablet that delivers hydrocortisone in a manner that mimics the normal physiological circadian rhythm. This clearly defined rhythm, with high levels in the morning and low levels at night, is lost in patients with adrenal insufficiency. Current therapies are steroid-based, and cannot adequately control the condition, so the Diurnal management team believes that their product should offer a much needed improvement in treatment for patients with congenital adrenal hyperplasia.

This product is being developed by Phoqus, a UK drug delivery company, which has an exclusive licence of the 'delayed and sustained release therapy' patent. In 2005 Diurnal received Orphan Medicinal Product designation for this product from the European Medicines Agency, which affords 10 years of market exclusivity after the grant of a marketing authorisation in Europe. The product has successfully completed Phase 1 clinical studies.

Diurnal anticipates that the new product will provide a more efficacious therapy, with improved compliance from patients.