

9<sup>th</sup> October 2006

**Biofusion plc**

**Diurnal announces collaboration partner Phoqus to progress  
Chronocort™ into Phase II Clinical Trials**

Biofusion plc ("Biofusion") today announces that Phoqus Group plc ("Phoqus") intends to raise approximately £3 million, gross of expenses to progress Chronocort™ into Phase II clinical trials for the treatment of adrenal insufficiency. Chronocort™, which has European Orphan Medicinal Product designation, is being developed in collaboration with Biofusion subsidiary company Diurnal Limited ("Diurnal") and is expected to be ready for market in the next two to three years. Diurnal, in which Biofusion holds a 60% stake, expects Chronocort™ will generate significant royalty revenues in a market worth in excess of £75m

David Baynes, CEO of Biofusion said:

*"As the majority shareholder in Diurnal this is very good news for Biofusion. Phoqus is committed to taking Chronocort™ through Phase II trials and the estimated timescales for development mean Diurnal should be receiving royalties from sales of the product from 2008/9 onwards."*

Chronocort™ is a modified release formulation of hydrocortisone to treat adrenal insufficiency. The 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.

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**About Biofusion**

Biofusion was established in 2002 to commercialise university-generated IP. The Company has 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 twelve spin-out companies including Asterion, Axordia, Celltran, Lifestyle Choices and Genophrenix. The University of Sheffield is a world class life sciences research centre spending an estimated £0.5bn of research funding over the next ten years. The University can count five Nobel Prize winners among its alumni and researchers, and data from the latest UK Government's Research Assessment Exercise 2001 showed it ranked fifth in the UK for the quality of its life sciences research.

In March 2006 Biofusion entered into a strategic partnership with NPI Ventures Ltd. NPI Ventures Ltd is the technology investment business wholly owned by Nikko Principal Investments Limited, the European principal finance arm of Nikko Cordial Corporation, which is listed on the Tokyo Stock Exchange. Under the agreement NPI Ventures Ltd established a £10 million side fund for the dedicated purpose of

investing in Biofusion portfolio companies, invested £2 million in Biofusion by taking a 7.37% equity stake in Biofusion and has warrants with a total potential subscription value of £6.25 million, exercisable at exercise prices between 150p to 220p.

[www.biofusion.co.uk](http://www.biofusion.co.uk)

### **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.

### **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. 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. Phoqus is the only company using electrostatic powder coating technology for pharmaceutical applications and has over 120 granted patents.

Based in Kent, Phoqus 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 and is listed under the symbol "PQS".

Further background on the Company can be found at [www.phoqus.com](http://www.phoqus.com).