



PRESS RELEASE

TSX Symbol: TLN

THALLION ANNOUNCES 2009 YEAR END RESULTS

Montréal, February 23, 2010 – Thallion Pharmaceuticals Inc. (TSX: TLN) today announced its operational and financial results for the three-month and twelve-month periods ended November 30, 2009.

Operational Highlights

- Signed a definitive development and commercialization agreement with LFB Biotechnologies (“LFB”) for Shigamabs[®], subsequent to the end of the quarter, under which Thallion is eligible to receive up to €95 million (approximately C\$150 million) from LFB. The funding includes an up-front licensing fee of €1.5 million (approximately C\$2.3 million), funding for substantially all future clinical development costs, as well as milestone payments. The agreement grants LFB an exclusive license for the commercial rights to Shigamabs[®] in Europe, South America and other territories of strategic interest to LFB, including Russia, Turkey, China, South Korea and Northern African countries, while Thallion retained the rights for North America and the rest of world. Thallion is eligible to receive tiered, double digit royalties based on product sales.
- Sold its subordinated promissory note in Caprion Proteomics Inc. (“Caprion”) back to Caprion for an immediate cash payment of \$1.85 million, while retaining the Company’s approximate 15 percent equity interest in Caprion.
- Appointed Dr. Allan Mandelzys to the position of Chief Executive Officer and as a member of the Board of Directors. Furthermore, after resigning from his position as Chief Executive Officer, Lloyd M. Segal was appointed as Executive Chairman of the Board of Directors, subsequent to the end of the quarter.
- Completed a review of strategic alternatives, conducted by a Special Committee of independent Directors of the Board, with the completion of a corporate reorganization and non-dilutive capital transaction for gross proceeds to Thallion of \$8.85 million under a court supervised Plan of Arrangement.
- Discontinued its Phase II trial evaluating TLN-4601 as a treatment for glioblastoma multiforme (“GBM”) due to a lack of measurable efficacy after analysis of the interim data.
- Suspended its Phase II trial evaluating TLN-232 as a treatment for metastatic melanoma due to an ongoing dispute with the licensor.

“Thallion is now clearly focused on advancing the clinical development of our treatment for *E. coli* infections, Shigamabs[®], in collaboration with our development and commercialization partner, LFB Biotechnologies. Together with LFB, we intend to immediately initiate activities to prepare for the launch of the Phase II Shigamabs[®] study in South America in the second half of 2010,” said Dr. Allan Mandelzys, Chief Executive

Officer of Thallion Pharmaceuticals Inc. “The activities and decisions made during 2009 served to strengthen our balance sheet and reduce our ongoing expenditures. With the Shigamabs[®] agreement now in place, under which LFB has agreed to fund substantially all future development costs, we have sufficient capital through to the potential commercialization of Shigamabs[®] based on our existing strategic plans.”

Financial Highlights

Interest revenues for the three-month period ended November 30, 2009 were \$8,221 compared with \$94,474 for the corresponding period in 2008. Interest revenues for the twelve-month period ended November 30, 2009 were \$78,247 compared with \$658,109 for the same period last year. These decreases resulted from lower yields earned on cash investments in addition to the maturity of cash equivalents and short-term investments used to fund the Company’s operations throughout the periods.

Research and development (R&D) expenses for the three-month period ended November 30, 2009 were \$946,910 compared with \$1,879,421 for the three-month period ended November 30, 2008. Research and development expenses for the twelve-month period ended November 30, 2009 were \$6,452,562 compared with \$9,504,964 for the corresponding period in 2008. The decreases are primarily due to the suspension of the TLN-232 Phase II trial and the suspension, and subsequent discontinuation, of the TLN-4601 Phase II trial each of which occurred in the second half of 2009. The remaining variance is primarily the result of the reduction of fifteen research and development employees in 2009 and reduced research and development operating costs in 2009 compared to 2008 as the Company completed the final operational integration of two operating facilities at the end of the second quarter of 2008.

General and administrative (G&A) expenses for the three-month period ended November 30, 2009 were \$969,897 compared with \$1,045,173 for the corresponding period last year. General and administrative expenses for the twelve-month period ended November 30, 2009 were \$4,185,161 compared with \$4,440,896 for the corresponding period last year. These decreases are primarily the result of reduced stock-based compensation expenses attributed to the vesting and cancellation of the Company’s stock options pursuant to the July 2009 Arrangement. A stock-based compensation expense of \$1,067,062 related to the July 2009 Arrangement has been recorded as a non-recurring item during the year.

The loss before non-recurring items for the three-month period ended November 30, 2009 was \$2,160,577 compared to \$2,402,399 for the three-month period ended November 30, 2008. The loss before non-recurring items for the twelve-month period ended November 30, 2009 was \$10,356,373 compared to \$12,534,411 for the corresponding period in 2008. The changes in loss before non-recurring items are primarily due to reductions in R&D and G&A expenses.

Non-recurring items for the year ended November 30, 2009 included lease exit costs of \$1,833,448 in addition to recording \$1,948,243 of lease exit costs for the comparative period in 2008. The Company had been maintaining two operating facilities following the

March 14, 2007 amalgamation of Ecopia Biosciences Inc. and Caprion Pharmaceuticals Inc., one of which had become redundant as a result of the final operational integration that was completed at the end of the second quarter of 2008. On December 14, 2009, the Company signed a binding lease settlement agreement with its landlord to terminate the remaining portion of the lease in consideration of a \$1,150,000 termination payment. Furthermore, in the fourth quarter of 2009, certain restructuring initiatives were undertaken by the Company resulting in a portion of the research headquarters becoming redundant and no longer being of use.

Non-recurring items for the year ended November 30, 2009 also included \$1,067,062 in non-recurring stock-based compensation expense attributable to the vesting and cancellation of stock options pursuant to the July 2009 Arrangement, a gain on settlement of note receivable from Caprion Proteomics Inc. of \$1,835,000 and the write-off of \$2,526,422 of capital assets as a result of certain restructuring initiatives.

Net loss for the three-month period ended November 30, 2009 was \$4,685,447 or \$0.15 per share, compared to \$2,622,092 or \$0.08 per share for the three-month period ended November 30, 2008. The increase is mainly attributable to lease exit costs and the write-off of capital assets, partially offset by the gain on settlement of the Company's note receivable and reductions in R&D and G&A expenses.

Net loss for the year ended November 30, 2009 was \$13,948,305 or \$0.43 per share per share, compared to \$15,107,960 or \$0.47 per share for the year ended November 30, 2008. The decrease in net loss is mainly attributable to the gain on settlement of the Company's note receivable and reductions in R&D and G&A expenses, partially offset by the write-off of capital assets, lease exit costs and stock-based compensation expenses.

As at November 30, 2009, the Company's cash position amounted to \$7,576,488, which consists of cash and cash equivalents and short-term investments. A receivable from Premium Brands Holdings Corporation pursuant to the July 2009 Arrangement relating to fiscal 2009 Revenue Quebec tax credits remaining in Old Thallion amounted to \$337,801 and tax credits receivable from Revenue Quebec amounted to \$1,159,268. Consequently, the Company's liquidity availability amounted to \$9,073,557 compared with \$13,557,838 on November 30, 2008. The decrease in liquidity is primarily due to cash expenses relating to operations during 2009 offset by \$5,535,101 in net unrestricted cash received from Premium Brands Income Fund pursuant to the July 2009 Arrangement.

Subsequent to the end of the quarter, Thallion sold its subordinated promissory note in Caprion for an immediate cash payment of \$1,850,000 and received the up-front licensing fee of €1.5 million (approximately C\$2.3 million) from LFB related to the Shigamabs[®] agreement.

As at February 23, 2010, the Company had 32,155,816 common shares outstanding. The number of options and warrants outstanding at February 23, 2010, were 2,492,425 and 9,530,000 respectively.

Outlook

- The Company, together with its partner LFB, intend to submit an amended protocol to select South American regulatory agencies to initiate a Phase II study evaluating Shigamabs[®] as a treatment for Shiga toxin-producing *E. coli*, or STEC, infections. The amended protocol will be based on a clinical protocol previously approved by both the Argentinean and Chilean authorities.
- Thallion and LFB intend to initiate the Phase II Shigamabs[®] clinical study in South America in the second half of 2010, coinciding with the start of the high incidence season for STEC infection in the Southern hemisphere.

Notice of Conference Call

Thallion will hold a conference call today, February 23, 2010, at 4:30 p.m. ET hosted by Dr. Allan Mandelzys, Chief Executive Officer and Mr. Michael Singer, Chief Financial Officer to discuss the Company's financial results and corporate developments. To access the conference call by telephone, dial 647-427-7450 or 888-231-8191. To access the telephone replay, dial 416-849-0833 or 800-642-1687 and enter reservation number 58427486. A live audio webcast of the call will be available at www.thallion.com. The webcast will be archived for 90 days.

About Thallion Pharmaceuticals Inc.

Thallion Pharmaceuticals Inc. (TSX: TLN) is a biotechnology company developing pharmaceutical products in the areas of infectious disease and oncology. The Company's clinical programs include Shigamabs[®] and TLN-4601, a novel anti-cancer therapy. Shigamabs[®] is a dual antibody product for the treatment of Shiga toxin producing *E. coli* bacterial infections which is anticipated to enter Phase II clinical testing in the second half of 2010. Additional information about Thallion can be obtained at www.thallion.com.

Forward-Looking Statements

This press release contains certain forward-looking statements, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect" and other similar expressions which constitute "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements reflect Thallion's current expectation and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These forward-looking statements involve risks and uncertainties including, but not limited to, the satisfaction of conditions provided in the development and commercialization agreement with LFB, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process and other risks detailed from time-to-time in Thallion's ongoing filings with the Canadian securities regulatory authorities which filings can be found at www.sedar.com. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Thallion undertakes no obligation to publicly update or revise any forward-looking statements either as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.

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Financial results included below:

THALLION PHARMACEUTICALS INC.

Consolidated Balance Sheets
November 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,665,929	\$ 8,863,383
Short-term investments	5,910,559	3,876,579
Restricted cash	1,590,024	291,962
Sales tax receivable and other	246,768	253,923
Accounts receivable	6,167	88,369
Tax credits receivable	1,159,268	817,876
Receivable from Premium Brands Holdings Corporation	337,801	-
Receivable from Caprion Proteomics Inc.	1,835,000	-
Deposits and prepaid expenses	465,971	468,011
	13,217,487	14,660,103
Long-term deposit	100,000	200,000
Restricted cash	1,000,000	-
Capital assets	214,202	3,258,947
	\$ 14,531,689	\$ 18,119,050
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,482,111	\$ 1,935,668
Current portion of lease exit obligations	1,397,494	608,505
	2,879,605	2,544,173
Long-term portion of lease exit obligations	1,925,531	1,042,769
Shareholders' Equity:		
Capital stock	115,502,723	115,502,723
Warrants	9,986,860	9,986,860
Contributed surplus	11,491,077	2,348,592
Deficit	(127,254,107)	(113,305,802)
Accumulated other comprehensive loss	-	(265)
	(127,254,107)	(113,306,067)
Total shareholders' equity	9,726,553	14,532,108
	\$ 14,531,689	\$ 18,119,050

THALLION PHARMACEUTICALS INC.

Consolidated Statements of Operations
Years ended November 30, 2009 and 2008

	2009	2008
Revenues		
Contract revenues	\$ -	\$ 162,547
Interest revenues	78,247	658,109
	78,247	820,656
Costs and expenses		
Research and development	6,452,562	9,504,964
Tax credits	(679,193)	(1,207,532)
	5,773,369	8,297,432
General and administrative	4,185,161	4,440,896
Amortization of capital assets	505,939	592,995
Foreign exchange (gain) loss	(29,849)	23,744
	10,434,620	13,355,067
Loss before non-recurring items	(10,356,373)	(12,534,411)
Non-recurring items		
Lease exit costs	1,833,448	1,948,243
Stock-based compensation	1,067,062	-
Gain on settlement of note receivable	(1,835,000)	-
Write-off of capital assets	2,526,422	625,306
	3,591,932	2,573,549
Net loss	\$ (13,948,305)	\$ (15,107,960)
Net basic and diluted loss per share	\$ (0.43)	\$ (0.47)
Weighted average number of outstanding shares	32,144,316	32,124,644

THALLION PHARMACEUTICALS INC.

Consolidated Statements of Comprehensive Loss
Years ended November 30, 2009 and 2008

	2009	2008
Net loss	\$ (13,948,305)	\$ (15,107,960)
Other comprehensive loss		
Unrealized gain on available for sale investments	265	54,360
Comprehensive loss	\$ (13,948,040)	\$ (15,053,600)

THALLION PHARMACEUTICALS INC.

Consolidated Statements of Cash Flows
Years ended November 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net loss	\$ (13,948,305)	\$ (15,107,960)
Adjustments for:		
Accretion in carrying value of lease liability	309,177	143,952
Lease exit costs	1,833,448	1,948,243
Gain on settlement of note receivable	(1,835,000)	-
Write-off of capital assets	2,526,422	625,306
Amortization of capital assets	505,939	592,995
Loss on disposal of capital assets	9,599	-
Loss on disposal of short-term investments	(14,013)	63,670
Stock-based compensation	1,309,322	583,183
	(9,303,411)	(11,150,611)
Changes in operating assets and liabilities:		
Sales tax receivable and other	10,075	105,224
Accounts receivable	82,202	(20,209)
Interest receivable	(2,920)	292,444
Tax credits receivable	(341,392)	1,669,626
Receivable from Premium Brands Holdings Corporation	(337,801)	-
Deposits and prepaid expenses	2,040	243,006
Decrease in long-term deposit	100,000	100,000
Accounts payable and accrued liabilities	(453,557)	(1,203,580)
Payment of lease exit obligations	(470,874)	(440,921)
	(1,412,227)	745,590
	(10,715,638)	(10,405,021)
Cash flows from financing activities:		
Proceeds from reorganization	8,850,000	-
Costs of reorganization	(1,016,837)	-
Redemption of special preferred shares	-	(1)
	7,833,163	(1)
Cash flows from investing activities:		
Acquisition of short-term investments	(8,846,255)	(6,712,821)
Proceeds from disposal of short-term investments	6,826,553	15,511,017
Restricted cash	(2,298,062)	-
Additions to capital assets	(22,215)	(136,705)
Proceeds from disposal of capital assets	25,000	-
	(4,314,979)	8,661,491
Net decrease in cash and cash equivalents	(7,197,454)	(1,743,531)
Cash and cash equivalents, beginning of year	8,863,383	10,606,914
Cash and cash equivalents, end of year	\$ 1,665,929	\$ 8,863,383