



**PRESS RELEASE**

**TSX Symbol: TLN**

## **THALLION ANNOUNCES 2010 SECOND QUARTER RESULTS**

**Montréal, July 12, 2010** – Thallion Pharmaceuticals Inc. (TSX: TLN) today announced its operational and financial results for the three-month and six-month periods ended May 31, 2010.

### **Operational Highlights**

- Continued progress in preparation for the initiation this fall of a Phase II trial in South America evaluating Shigamabs<sup>®</sup> as a treatment for *E. coli* infections, in collaboration with LFB Biotechnologies (LFB), Thallion's development and commercialization partner.
- Entered into a binding lease cancellation agreement, subsequent to the end of the quarter, with Liberty Sites Ltd., the landlord of its corporate headquarters, to cancel the remaining six years of its fifteen-year lease obligation, eliminating a remaining commitment of approximately \$8,000,000, for total consideration paid by Thallion of \$2,400,000.
- The Board of Directors has approved the nomination of two new members, Philippe Couillard, P.C., MD and Dan Chiche, MD, who joined the Board effective July 12, 2010 and accepted the resignation of Michael Kurman, MD who has served on the Board since December 2007.
- Received notification from the Secretariat of the International Chamber of Commerce International Court of Arbitration, subsequent to the end of the quarter, that the Arbitral Tribunal considering the TLN-232 dispute rendered a partial award in favor of the licensor and that the License Agreement between the parties was duly terminated. As a result, the Company closed the Phase II trial evaluating TLN-232 in metastatic melanoma patients.

“We have made great progress in our preparations to initiate the Phase II Shigamabs<sup>®</sup> trial in South America later this year,” said Dr. Allan Mandelzys, Chief Executive Officer of Thallion Pharmaceuticals Inc. “Furthermore, we have been able to gain greater financial flexibility and strengthened our balance sheet by focusing our financial resources and operations on the Shigamabs<sup>®</sup> program. With a solid financial base, and the support of a quality partner like LFB, we are entering the next clinical stage of the Shigamabs<sup>®</sup> program in a stronger position than ever.”

### **Additions to the Board of Directors**

Effective July 12, 2010, Thallion's Board of Directors approved the nominations of two new Directors, Philippe Couillard, P.C., MD and Dan Chiche, MD, who will join the Board immediately and accepted the resignation of an existing member, Michael Kurman, MD.

Dr. Philippe Couillard practiced neurosurgery during eighteen years prior to his election to the National Assembly in Quebec in 2003. He subsequently served as Minister of Health and Social Services prior to leaving public service in 2008. Dr. Couillard is currently a partner at Persistence Capital Partners LP, a private equity fund dedicated to healthcare. On June 24, 2010, he was nominated to the Queen's Privy Council for Canada by Prime Minister Stephen Harper. He has also agreed to serve as a member of Thallion's Audit Committee.

Dr. Dan Chiche is an independent consultant with more than twenty years experience as an executive in clinical research and medical affairs, as well as training in biostatistics and business administration, and has been involved in the successful development of compounds in various therapeutic areas. Dr. Chiche has also agreed to serve as a member of Thallion's Compensation Committee.

Dr. Michael Kurman has resigned from Thallion's Board of Directors. Dr. Kurman brought the Company a tremendous level of experience and expertise in the area of oncology and anticancer drug development. His contribution to the Board and the Company was extremely beneficial during the active development of TLN-4601 and TLN-232. However given the Company's renewed focus on infectious disease and Shigamabs<sup>®</sup>, Dr. Kurman has decided to concentrate on his other professional commitments.

### **Financial Highlights**

Collaboration and licensing revenues for the three-month and six-month periods ended May 31, 2010 were \$1,011,316 and \$1,047,316, respectively, compared to nil for both the three-month and six-month periods ended May 31, 2009. The revenue from 2010 is related to the development and license agreement signed with LFB in February 2010 for the Company's ongoing development of Shigamabs<sup>®</sup>.

Research and development expenses before tax credits (R&D) for the three-month and six-month periods ended May 31, 2010 were \$1,115,674 and \$2,287,173, a decrease of 50 percent and 47 percent respectively, compared to \$2,213,334 and \$4,325,275 for the corresponding periods in 2009. The change in R&D expenses is primarily due to the suspension of the development of TLN-232 in July 2009 and TLN-4601 in December 2009 as well as the reduction of 19 R&D employees over the course of the fourth quarter of 2009 and the first quarter of 2010.

General and administrative (G&A) expenses for the three-month and six-month periods ended May 31, 2010 were \$889,178 and \$2,690,376, respectively, a decrease of 9 percent compared to \$980,080 for the three-month period in 2009 and an increase of 16 percent compared to \$2,317,504 for the six-month period in 2009. The change in the three-month period is primarily attributed to a reduction in G&A employees in the first quarter of 2010. The change in the six-month period is partially due to \$305,000 in one-time cash incentive bonuses paid to certain employees pursuant to final execution of the definitive

development and license agreement with LFB and \$234,086 in one-time severance costs incurred in the first quarter of 2010.

The Company recorded a net loss of \$841,219 or \$0.03 per share in the three-month period ended May 31, 2010, compared with \$2,998,425 or \$0.09 per share in the corresponding period in 2009. For the six-month period ended May 31, 2010, the Company recorded a net loss of \$3,400,586 or \$0.11 per share, compared to \$6,237,096 or \$0.19 per share for the same period last year. The decreases in net loss are mainly attributable to higher collaboration and licensing revenues and reductions in R&D expenses as described above.

As at May 31, 2010, the Company's unrestricted cash position amounted to \$12,029,783 which consists of cash, cash equivalents and short-term investments. The Company's liquidity availability amounted to \$12,788,968 compared with \$9,073,557 on November 30, 2009. The increase in liquidity is due in part to the up-front payment and development funding received from LFB following final execution of the development and license agreement signed in February 2010, the collection of the note receivable from Caprion Proteomics Inc. and the collection of investment tax credits receivable, partially offset by the final settlement of the Company's lease obligations in relation to the redundant facility.

Subsequent to the end of the quarter, Thallion entered into a binding agreement with the landlord of its corporate headquarters to cancel the remaining six years of its fifteen year lease obligation for a total consideration of \$2,400,000.

As of July 12, 2010, Thallion had 32,194,566 common shares outstanding. The number of stock options and common share purchase warrants outstanding at July 12, 2010 were 2,417,600 and 530,000, respectively.

#### **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<sup>®</sup> and TLN-4601, a novel anti-cancer therapy. Shigamabs<sup>®</sup> 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](http://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, 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](http://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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# THALLION PHARMACEUTICALS INC.

## Consolidated Balance Sheets

May 31, 2010 and November 30, 2009

	2010 (Unaudited)	2009 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,813,506	\$ 1,665,929
Short-term investments	7,216,277	5,910,559
Restricted cash	-	1,590,024
Sales tax and other receivable	419,587	252,935
Tax credits receivable	421,384	1,159,268
Receivable from Premium Brands Holdings Corporation	337,801	337,801
Receivable from Caprion Proteomics Inc.	-	1,835,000
Deposits and prepaid expenses	751,677	465,971
	<b>13,960,232</b>	13,217,487
Long-term deposit	-	100,000
Restricted cash	1,000,000	1,000,000
Capital assets	186,299	214,202
	<b>\$ 15,146,531</b>	<b>\$ 14,531,689</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,012,189	\$ 1,482,111
Current portion of lease exit obligations	2,400,000	1,397,494
	<b>4,412,189</b>	2,879,605
Long-term portion of lease exit obligations	-	1,925,531
Deferred revenues	4,365,735	-
Shareholders' Equity:		
Capital stock	115,512,823	115,502,723
Warrants	1,375,000	9,986,860
Contributed surplus	20,135,477	11,491,077
Deficit	(130,654,693)	(127,254,107)
Total shareholders' equity	<b>6,368,607</b>	9,726,553
	<b>\$ 15,146,531</b>	<b>\$ 14,531,689</b>

# THALLION PHARMACEUTICALS INC.

## Consolidated Statements of Operations

Three and six-month periods ended May 31, 2010 and 2009

(Unaudited)

	Three-month period ended May 31		Six-month period ended May 31	
	2010	2009	2010	2009
Revenues				
Collaboration and licensing revenues	\$ 1,011,316	\$ -	\$ 1,047,316	\$ -
Interest revenues	17,277	21,028	36,494	58,075
	<b>1,028,593</b>	21,028	<b>1,083,810</b>	58,075
Costs and expenses				
Research and development	1,115,674	2,213,334	2,287,173	4,325,275
Tax credits	(107,346)	(296,154)	(455,334)	(583,873)
	<b>1,008,328</b>	1,917,180	<b>1,831,839</b>	3,741,402
General and administrative	889,178	980,080	2,690,376	2,317,504
Amortization of capital assets	14,799	127,501	29,126	251,736
Foreign exchange gain	(42,493)	(5,308)	(66,945)	(15,471)
	<b>1,869,812</b>	3,019,453	<b>4,484,396</b>	6,295,171
Net loss	\$ (841,219)	\$ (2,998,425)	\$ (3,400,586)	\$ (6,237,096)
Net basic and diluted loss per share	\$ (0.03)	\$ (0.09)	\$ (0.11)	\$ (0.19)
Weighted average number of outstanding shares	32,182,052	32,144,316	32,164,150	32,144,316

## Consolidated Statements of Comprehensive Loss

Three and six-month periods ended May 31, 2010 and 2009

(Unaudited)

	Three-month period ended May 31		Six-month period ended May 31	
	2010	2009	2010	2009
Net loss	\$ (841,219)	\$ (2,998,425)	\$ (3,400,586)	\$ (6,237,096)
Other comprehensive loss				
Unrealized gain on available for sale investments	-	-	-	265
Comprehensive loss	\$ (841,219)	\$ (2,998,425)	\$ (3,400,586)	\$ (6,236,831)

# THALLION PHARMACEUTICALS INC.

## Consolidated Statements of Cash Flows

Three and six-month periods ended May 31, 2010 and 2009

(Unaudited)

	Three-month period ended May 31		Six-month period ended May 31	
	2010	2009	2010	2009
<b>Cash flows from operating activities:</b>				
Net loss	\$ (841,219)	\$ (2,998,425)	\$ (3,400,586)	\$ (6,237,096)
Adjustments for:				
Accretion in carrying value of lease liability	107,031	77,294	239,274	154,588
Lease exit costs	15,572	-	15,572	-
Amortization of capital assets	14,799	127,501	29,126	251,736
Loss on disposal of capital assets	-	6,637	-	6,637
Gain on disposal of short-term investments	-	-	-	(14,013)
Stock-based compensation	17,572	107,477	36,610	219,207
	(686,245)	(2,679,516)	(3,080,004)	(5,618,941)
Changes in operating assets and liabilities:				
Sales tax and other receivable	(47,035)	68,583	(162,368)	53,885
Interest receivable	1,982	(3,522)	(4,284)	(2,052)
Tax credits receivable	(107,346)	(296,153)	737,884	(583,872)
Receivable from Caprion Proteomics Inc.	-	-	1,835,000	-
Deposits and prepaid expenses	(121,590)	85,918	(285,706)	26,097
Decrease in long-term deposit	100,000	-	100,000	-
Accounts payable and accrued liabilities	422,173	(20,902)	530,078	258,135
Deferred revenues	537,731	-	4,365,735	-
Sub-lease revenues collected	227,397	-	454,794	-
Payment of lease exit obligations	(232,508)	(256,878)	(1,632,665)	(417,145)
	780,804	(422,954)	5,938,468	(664,952)
	94,559	(3,102,470)	2,858,464	(6,283,893)
<b>Cash flows from financing activities:</b>				
Issuance of common shares	4,650	-	6,030	-
	4,650	-	6,030	-
<b>Cash flows from investing activities:</b>				
Acquisition of short-term investments	(2,006,335)	(3,613,310)	(2,305,718)	(3,636,808)
Proceeds from disposal of short-term investments	1,000,000	999,982	1,000,000	2,014,278
Restricted cash	-	-	1,590,024	-
Additions to capital assets	(2,319)	(4,140)	(2,319)	(20,449)
Proceeds from disposal of capital assets	-	23,000	1,096	23,000
	(1,008,654)	(2,594,468)	283,083	(1,619,979)
Net increase (decrease) in cash and cash equivalents	(909,445)	(5,696,938)	3,147,577	(7,903,872)
Cash and cash equivalents, beginning of period	5,722,951	6,656,449	1,665,929	8,863,383
Cash and cash equivalents, end of period	\$ 4,813,506	\$ 959,511	\$ 4,813,506	\$ 959,511