



FOR IMMEDIATE RELEASE

**FRALEX ANNOUNCES REORGANIZATION
AND SALE OF CORE BUSINESS
TO BAYLIS MEDICAL COMPANY INC.**

TORONTO, Ontario – March 30, 2009. Fralex Therapeutics Inc. (TSX:FXI) ("**Fralex**" or the "**Company**"), a medical technology company, today announced that Fralex, 2201761 Ontario Inc., a newly incorporated wholly-owned subsidiary of Fralex ("**Newco**"), and Baylis Medical Company Inc. ("**Baylis**"), a privately-owned developer and supplier of medical devices, have entered into an arrangement agreement and certain other agreements, pursuant to which Baylis has agreed to acquire all of the issued and outstanding common shares of Fralex. The proposed transactions (collectively, the "**Arrangement**") are conditional upon the completion of a reorganization of Fralex's business and affairs and will be structured as a plan of arrangement under the *Business Corporations Act* (Ontario).

As part of the proposed reorganization of Fralex, Newco will acquire certain assets of Fralex (the "**Transferred Assets**"), namely all cash on hand, other current assets, short term investments and all "non-core" assets, on an "as-is, where-is" basis, and assume all liabilities of Fralex. Fralex will retain all "core" assets, being those assets related to its Complex Neural Pulse (CNP) therapy, and related intellectual property. Each Fralex common share will then be transferred to Newco in exchange for one (1) common share of Newco and cash consideration of \$0.001, with minimum consideration of \$0.01 payable to each Fralex shareholder. Baylis will then acquire from Newco all of the issued and outstanding common shares of Fralex. Following the completion of the Arrangement, Fralex will become a wholly-owned subsidiary of Baylis; Newco will become a reporting issuer and will pursue other business opportunities as determined by its board of directors.

A summary of the material terms of the Arrangement is as follows:

- Fralex will grant a licence to each of Dr. Alex Thomas and Dr. Frank Prato, the founders of Fralex, to use the current patents and patent applications of Fralex for research purposes. Fralex will also provide \$50,000 over a two-year period to assist Dr. Thomas and Dr. Prato in continuing their academic research;
- Fralex will purchase and cancel a total of 3,200,000 Fralex common shares from Dr. Thomas and Dr. Prato for the aggregate purchase price of \$50,000 cash;
- Newco will acquire the Transferred Assets and assume all liabilities of Fralex in exchange for the issuance by Newco of a promissory note ("**Newco Note**") equal to the fair market value of the Transferred Assets;
- Each Fralex shareholder who has not exercised rights of dissent under the Arrangement will exchange each Fralex common share held by them for one (1) Newco common share

and cash consideration of \$0.001, with minimum consideration of \$0.01 payable to each Fralex shareholder;

- Newco will redeem any Newco common shares held by Fralex and such Newco common shares shall be cancelled;
- Baylis will acquire from Newco all of the issued and outstanding Fralex common shares for consideration of approximately \$900,000 cash and the issuance by Baylis of a promissory note ("**Baylis Note**") in an amount equal to the Newco Note. The Baylis Note will be set off against the Newco Note.

The Arrangement is expected to be completed on or before June 30, 2009.

Completion of the Arrangement is subject to satisfaction of a number of customary conditions, including approval by the holders of at least two-thirds of Fralex's issued and outstanding common shares, the approval of the Ontario Superior Court of Justice, and other regulatory approvals. The Arrangement will be submitted to Fralex shareholders for approval at a special meeting expected to be held in June 2009. Additional details regarding the terms of the Arrangement will be provided in the management information circular to be mailed to Fralex shareholders in connection with such special meeting.

The Arrangement has been unanimously approved by Fralex's Board of Directors, and support agreements in favour of the Arrangement have been provided by directors, officers and other shareholders of Fralex representing approximately 68% of the issued and outstanding common shares of Fralex. In addition, in connection with the Arrangement, the holders of all Fralex stock options have tendered such options for cancellation.

"This agreement with Baylis will allow Fralex's shareholders to realize value from the assets of the Company," said Avi Grewal, President and CEO of Fralex. "We wish Baylis well in their efforts to develop and commercialize the CNP technology along with the founders of the Fralex."

"This transaction will build on our portfolio in the pain management field", said Frank Baylis, President of Baylis. "We are very excited about the opportunity to bring the Fralex technology into our company and enhance our ability to be a leader in the high-technology medical device segment".

About FRALEX:

FRALEX is a medical technology company which was focused on developing and commercializing Complex Neural Pulse or CNP™, a novel neuromodulation therapeutic technology for chronic pain. For more information on FRALEX, please visit www.fralex.com

About BAYLIS:

Baylis is a leading developer, manufacturer and supplier of high-technology medical devices for chronic pain management, interventional cardiology and radiology products. Founded in 1986 in Montreal, Quebec, Baylis has grown to have offices across Canada as well as in the United Kingdom and Asia. The company's research and development and manufacturing departments are located in Mississauga, Ontario. In total, the company employs over 130 staff in varied positions including sales, research and development and manufacturing. Baylis products are marketed in over 60 countries. Baylis' goal is to conceive, develop, manufacture, and sell state-of-the-art medical products that will improve the lives of people around the world. As a result of

this, the company is heavily invested in research and development and currently has 25 staff invested in the research and development of new and existing products. In addition, Baylis is committed to developing and enhancing the performance of employees for the future growth of the company.

This press release may contain forward-looking statements which reflect Fralex' current expectations regarding future events, strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "intends", "may", "expects," "anticipates," "plans," "believes," "estimates" or negative versions thereof and similar expressions including the completion of the transactions described herein, and the expected benefits of such transactions. In addition, any statement that may be made concerning future performance, strategies or prospects is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the parties and economic factors. Forward-looking statements are not promises or guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made about Fralex, Newco or Baylis. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events, dependence on key personnel, additional financing requirements and access to capital, and other factors identified from time to time in Fralex's public filings. We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decision and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware that Fralex and Newco disclaim any obligation to publicly update or revise any such forward-looking statements whether as a result of new information, future events or otherwise, except as required by law .

For further information:

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