



Press Announcement

PALADIN LABS AND HYDRO MED SCIENCES SIGN LICENSE AGREEMENT FOR A ONCE YEARLY IMPLANT FOR PROSTATE CANCER

Montreal, Canada and Cranbury, N.J., U.S., October 3, 2002 – Paladin Labs Inc. (TSX: PLB), a Canadian specialty pharmaceutical company focused on marketing and selling urology, endocrinology and women's health products, and Hydro Med Sciences, Inc., today announced that they have entered into a licensing agreement regarding the Canadian rights to Hydro Med's unique, once-yearly implant (Histrelin Hydrogel Implant) for the palliative treatment of advanced prostate cancer. Under the terms of the agreement, Paladin receives exclusive rights for the sale and marketing of the product in Canada, while Hydro Med will assume responsibility for manufacturing and completing the development of this novel implant.

The Histrelin Implant is a drug-filled, miniature hydrogel implant that utilizes Hydro Med's patented and proprietary Hydron™ Implant technology. It is surgically placed under the skin in the inner aspect of a patient's upper arm during an in-office procedure. The implant provides 12 months of continuous, steady-state drug delivery with a single treatment. This once-yearly implant represents an alternative to leuprolide, goserelin and buserelin injections, which are administered every one, three or four months. The implant is currently being investigated in a multi-center, pivotal Phase III trial in Canada and the U.S. Based on encouraging interim data from this trial, it is anticipated that a regulatory submission will be filed in the United States by Q3-2003 and in Canada by Q1-2004.

Histrelin, the active ingredient in the implant, is part of a class of drugs known as luteinizing hormone-releasing hormone (LHRH) agonists. Sustained levels of LHRH agonists decrease testosterone levels to suppress tumor growth in patients with hormone-responsive prostate cancer. Research shows that suppression of testosterone production can lead to shrinking the cancer or preventing further growth. A standard treatment regimen for advanced prostate cancer often includes a urologist starting a patient on one-month LHRH therapy and then moving to a longer release product (3-4 months) if the patient responds to therapy. Chronic administration of an LHRH agonist is needed to provide continuous suppression of testosterone levels.

The National Cancer Institute of Canada estimates that, with the exception of skin cancers, prostate cancer is the most common cancer afflicting Canadian men. Each year approximately 16,000 new cases of prostate cancer are diagnosed in Canada and an estimated 4,000 men will die of the disease. According to IMS Canada Inc., in 2001 the total LHRH agonist market in Canada for the treatment of prostate cancer was \$69 million. This market has grown at a compounded annual growth rate of 8% since 1998 on a prescription basis.

"This is a terrific opportunity for Paladin," said Jonathan Ross Goodman, President and CEO of Paladin Labs Inc. "There are over 2,000 physicians in Canada who prescribed approximately \$69 million of LHRH agonists for prostate cancer last year. However, about 320 urologists wrote 63% of the prescriptions. This urologist driven market represents an excellent strategic fit for Paladin, given that our national sales force is currently calling on Canadian urologists to promote Androderm®, the only testosterone patch approved for sale in Canada."

David Tierney, M.D., President and Chief Executive Officer of Hydro Med Sciences said, “We are pleased to be partnering with Paladin, a company with established relationships with Canadian urologists and a proven ability to successfully launch innovative pharmaceuticals in Canada. Our Histrelin Hydrogel Implant is a highly compact and flexible implant that is simple to administer in-office and it offers patients an alternative to monthly or quarterly injections. We are presently advancing this unique LHRH implant through Phase III clinical trials and we look forward to its commercialization.”

For more information about Histrelin Hydrogel Implant, a detailed product profile is now available in the products section of Paladin’s Web site at

http://www.paladinlabs.com/our_products/selected_products_in_development.html Histrelin Hydrogel Implant

About Paladin Labs Inc.

Paladin Labs Inc., headquartered in Montreal, Quebec, is a rapidly growing pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian market. With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada's most profitable publicly traded pharmaceutical companies. Paladin's shares trade on the Toronto Stock Exchange under the symbol PLB. For more information about Paladin, please visit the Paladin Web site at www.paladinlabs.com

About Hydro Med Sciences, Inc.

Hydro Med Sciences, with executive offices in Cranbury, N.J., is led by a highly experienced management team committed to extending the possibilities of pharmaceutical healthcare. The Company focuses on developing, acquiring and commercializing specialty pharmaceuticals and, through internal R&D and strategic partnerships, is advancing the state-of-art of drug delivery with its innovative Hydron™ Implant technology. Additional information is available on the internet at: <http://www.hydromed.com/>

This news release may contain forward-looking statements or predictions. These statements represent our judgement as of this date and are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed in such forward-looking statements. Potential risks and uncertainties include, without limitation, those associated with product development, clinical trials, future revenues and profitability, and obtaining marketing approval.

For further information on Paladin please contact:

Samira Sakhia
Chief Financial Officer

Paladin Labs Inc.

Tel: (514) 340-5067

E-mail: info@paladin-labs.com

Web Site: www.paladinlabs.com

Mary Dellar
Investor Relations

The Equicom Group Inc.

Tel: (514) 939-3900 ext.236

E-mail: mdellar@equicomgroup.com

For further information on Hydro Med Sciences please contact:

David Tierney
President & CEO

Hydro Med Sciences, Inc.

Tel: (609) 409-9010 Ext. 260

Web Site: <http://www.hydromed.com/>

Matthew Rue
VP Marketing, Bus. Development

Hydro Med Sciences, Inc.

Tel: (609) 409-9010 Ext. 231

E-mail: mrue@hydromed.com

Web Site: <http://www.hydromed.com/>