



NEWS RELEASE

PALADIN ACQUIRES RIGHTS IN CANADA FOR DARVON-N[®] FROM ELI LILLY AND COMPANY

Montreal, Canada, December 18, 2003 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today announced that it has entered into an agreement with Eli Lilly and Company (NYSE: LLY) to acquire the rights to the Canadian trade mark for Lilly's propoxyphene napsylate product Darvon-N[®] and to license certain manufacturing know-how that will permit Paladin to manufacture Darvon-N[®] for the Canadian market and to distribute and market Darvon-N[®] in Canada. Financial terms of the agreement were not disclosed. The agreement will close by the end of January, 2004.

Darvon-N[®] (propoxyphene napsylate) is an analgesic that is indicated for the relief of mild to moderate pain alone or when it is accompanied by fever. According to IMS Health Canada, in 2002, Canadian sales of Darvon-N[®] amounted to approximately \$1.4 million, and the overall market size for opioid analgesics in Canada totaled approximately \$55.8 million.

"We welcome the opportunity to expand our business relationship with Lilly. Darvon-N[®] will strengthen our presence in the pain management category, and build upon our existing base of experience and market knowledge that we have gained through Statex[®]," said Jonathan Ross Goodman, President and CEO of Paladin Labs. "We have signed three agreements in the last several weeks including this agreement with Lilly and we remain focused on pursuing additional opportunities to extend our product portfolio."

About Paladin Labs

Paladin Labs Inc., headquartered in Montreal, Canada, is a leading specialty 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 leading specialty 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.

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 and other factors that are discussed in the Management Discussion and Analysis published in the Company's annual report.

Darvon-N[®] is a registered trademark of Eli Lilly and Company.

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