



NEWS RELEASE

**PALADIN SIGNS DISTRIBUTION AGREEMENT WITH
OVATION PHARMACEUTICALS FOR TWO CENTRAL NERVOUS
SYSTEM DRUGS**

Montreal, Canada, May 27, 2004 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today announced that it has entered into an exclusive Canadian distribution agreement with Ovation Pharmaceuticals, Inc. for Sabril® (vigabatrin) and Frisium® (clobazam), two central nervous system pharmaceutical products used to treat various epilepsy conditions. Both brands are currently available in Canada. Under the terms of the agreement, Paladin will assume responsibility for customer service, logistics, credit and collection, and pharmacovigilance support in return for a modest distribution fee. The responsibility of marketing and promotion of these brands in Canada will remain with Ovation.

“This is our first agreement with Ovation Pharmaceuticals, a US specialty pharmaceutical company. We are pleased that Ovation chose Paladin and we look forward to expanding our relationship with Ovation as they continue to execute on their strategy of acquiring under-promoted and promising late-stage pharmaceutical products,” said Jonathan Ross Goodman, President and CEO of Paladin Labs.

Ovation Pharmaceuticals acquired the exclusive North American rights for Sabril® and Frisium® from Aventis in March 2004.

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.

About Ovation Pharmaceuticals

Ovation Pharmaceuticals, Inc. is a specialty pharmaceutical company that acquires under-promoted branded pharmaceutical products and promising late-stage development products. Ovation increases the sales of acquired products through targeted selling and marketing efforts and product life cycle management activities that focus on developing new formulations and new indications. Ovation is privately held and based in the Chicago area. For more information, visit www.ovationpharma.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.

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