



NEWS RELEASE

**PALADIN REALIGNS PRODUCT PIPELINE AND ANNOUNCES
CHANGE TO MANAGEMENT TEAM**

Montreal, Canada, September 22, 2004 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today announced that it has strategically realigned its product pipeline. Due to changes in market conditions, Paladin will no longer pursue its New Drug Submission (NDS) for Statex[®] SR (sustained-release morphine sulfate tablets) with the Therapeutic Products Directorate (TPD) of Health Canada. Statex[®] SR is a twice-daily morphine product used in the relief of various categories of pain. “The commercialization of Statex[®] SR in Canada is no longer attractive to us due to changes in market conditions,” said Jonathan Ross Goodman, President & CEO of Paladin Labs.

In addition, Paladin announced that as a result of Health Canada’s recent classification of melatonin as a natural health product, Circadin[®] (controlled release melatonin tablets) no longer fits within its sales and marketing strategy and will not be commercialized. “We continue to focus on advancing our submissions for Histrelin Hydrogel Implant (long-acting LHRH implant) and GlucaGen[®] (recombinant glucagon for injection) that were filed earlier this year,” said Jonathan Ross Goodman.

Corporate Developments

Dr. Tom Koutsavlis, Paladin’s Vice-President, Scientific Affairs, has resigned his position effective October 8, 2004 to pursue other interests. Paladin’s President and CEO, Jonathan Ross Goodman will assume the responsibility for Scientific Affairs until a replacement is named. “We wish Dr. Koutsavlis every success and thank him for his contributions to Paladin,” said Jonathan Ross Goodman.

About Paladin Labs

Paladin Labs Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring and 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 Company’s 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.

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