



NEWS RELEASE

PALADIN REPORTS 2005 FIRST QUARTER FINANCIAL RESULTS

Montreal, Canada, May 5, 2005 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today reported its 2005 first quarter financial results.

First Quarter Highlights:

- Revenue reached \$6.5 million, an increase of 16% over the same period last year
- Sales of key promoted brands, including Dostinex[®], Estring[®], Oxytrol[®] and Plan B[®], grew 37% compared to the corresponding period a year ago
- Oxytrol[®] is approved for listing on Quebec formulary
- Dr. Patrice Larose is appointed Vice-President, Regulatory Affairs, Drug Safety and Medical Services

Subsequent to First Quarter:

- Plan B[®] is approved by Health Canada to be sold in Canada without a physician prescription
- Exclusive Canadian marketing and supply agreement for Trelstar[®] signed with Watson Pharmaceuticals, Inc.

“We remain focused on pursuing additional acquisition opportunities to bring innovative, promotion-sensitive brands to the Canadian market, while continuing to grow sales of our existing products. I am pleased to report that our business is healthy and we continue on track with our strategic direction of focusing on internally developing new, late-stage innovative products. This plan will position Paladin to accelerate the organization for long term growth,” said Jonathan Ross Goodman, President & CEO of Paladin.

Financial Results

Revenue for the three-month period ended March 31, 2005 increased 16% to \$6.5 million compared to \$5.6 million in the first quarter of 2004. Revenue growth resulted primarily from a 37% increase in sales of the Company’s key promoted brands, including Dostinex[®], Estring[®], Oxytrol[®] and Plan B[®], compared to the same period a year ago.

Paladin’s 2005 first quarter earnings before interest, taxes, depreciation, and amortization (EBITDA¹) increased 44% to \$1.88 million compared to EBITDA¹ of \$1.31 million in the first quarter of 2004.

Net income for the quarter was \$499,000 or \$0.03 per fully diluted share compared to net income of \$344,000 or \$0.02 per fully diluted share in the first quarter a year ago.

Selling and marketing expense for the first quarter of 2005 increased 48% to \$2.1 million from \$1.4 million in the first quarter of 2004. This increase was primarily attributable to increased sales and marketing spending associated with the launch of Oxytrol[®] and the re-launch of Plan B[®] as a non-prescription product.

Research and development expense for the first quarter of 2005 decreased to \$331,000 from \$1.2 million in the first quarter a year ago. Paladin’s Scientific Affairs team is focusing on investigating product opportunities for internal development.

Amortization expense for the first quarter of 2005 increased to \$1.1 million from \$791,000 in the first quarter of 2004. This increase in amortization expense is a result of the Company's decision to reduce the estimated useful life of the carrying value of the intellectual property associated with products that face a heightened risk of generic competition.

At March 31, 2005 Paladin's cash, cash equivalents and investments in marketable securities totalled \$43.6 million. From this strong cash position, Paladin continues to pursue product acquisition and development opportunities.

Product Developments

During the first quarter, The Conseil du médicament of Quebec, which provides drug insurance coverage for an estimated 3.2 million residents of Quebec, gave its approval to list Oxytrol[®] (oxybutynin transdermal system). Oxytrol[®], a unique patch medication, is indicated for the treatment of overactive bladder with symptoms of urge urinary incontinence, urgency and frequency. According to the Canadian Continence Foundation, approximately 1.5 million Canadians suffer from overactive bladder and according to IMS Canada, the total Canadian market for overactive bladder in 2004 was \$50 million.

Subsequent to the first quarter, Paladin announced that Plan B[®], a safe and effective "morning-after pill," is now available at Canadian pharmacies without a prescription. The decision by Health Canada is supported by 70 percent of Canadians and every leading medical organization in the country. Plan B[®] is 95 percent effective in preventing unintended pregnancy if taken within 24 hours of unprotected sex.

Subsequent to the first quarter, Paladin signed an exclusive Canadian marketing and supply agreement for Trelstar[®] with Watson Pharmaceuticals, Inc. Trelstar[®] is an injectable, luteinizing hormone-releasing hormone (LHRH) agonist indicated for the palliative treatment of advanced prostate cancer and for the treatment of endometriosis and is approved for sale in Canada. Paladin expects to launch Trelstar[®] in the fourth quarter of 2005. According to IMS Canada, the Canadian market for LHRH agonists for prostate cancer and endometriosis was over \$125 million in 2004. Trelstar[®] compliments our established urology franchise with Oxytrol[®] and Vantas[™] (Histrelin Hydrogel Implant), a unique, once-yearly LHRH implant for the treatment of prostate cancer.

Subsequent to the first quarter, Tapazole[®], a leading anti-thyroid drug which Paladin acquired from Eli Lilly and Company in 2000 was genericized. Paladin has increased sales of Tapazole[®] 130% since its acquisition in 2000 from \$780,000 to \$1.8 million in 2004 according to IMS Canada. Tapazole[®] remains a successful acquisition for Paladin, having generated net operating cash flows of \$2.9 million to date.

Corporate Developments

Dr. Patrice Larose was appointed to Paladin's management team as Vice-President, Regulatory Affairs, Drug Safety and Medical Services. Before joining Paladin, Dr. Larose was Vice-President, Regulatory Affairs, Drug Safety and Medical Services at Schering Canada Inc. Dr. Larose obtained a Ph.D. in Pharmaceutical Sciences from the University of Montreal in 1987 and is a licensed pharmacist.

During the quarter, Paladin announced that it has received regulatory approval from the Toronto Stock Exchange to carry out a normal course issuer bid effective February 22, 2005. Paladin has been authorized to purchase up to 630,000 of its common shares, or approximately 10% of its public float of 6,300,990 common shares, in the twelve-month period following the bid's effective date. To date, Paladin has not purchased shares.

2005 Financial Outlook and Strategic Update

Paladin reiterates its previously announced financial outlook for fiscal 2005, as it expects to generate \$25 million to \$26 million in revenue. This forecast excludes the impact of acquisitions and/or new product launches that may be made by the Company between now and the end of 2005.

During the quarter, the Company held its first investor conference to discuss the Company's year-end financial results, strategic direction and 2005 revenue guidance. Paladin announced its plan to increase internal development of innovative new drugs.

Conference Call Notice

Paladin will host a conference call to discuss its first quarter results on Thursday, May 5, 2005, at 10:00 a.m. EST. The dial-in number for the conference call is 1-888-789-0150 or 416-695-6120. The call will be audio-cast live and archived for 90 days at www.paladinlabs.com.

(1) EBITDA does not have any standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures presented by other public issuers. EBITDA performance is presented herein because Paladin management believes that, in addition to net income, EBITDA is a useful supplemental measure of the Company's financial performance.

About Paladin Labs

Paladin Labs Inc., headquartered in Montreal, Canada, is a 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 Company's Website 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. For additional information on risks and uncertainties related to the forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and Annual Information Form and other filings found on SEDAR at www.sedar.com.

For more information, please contact:

Samira Sakhia
Chief Financial Officer

Paladin Labs Inc.

Tel: (514) 340-5067

email: info@paladin-labs.com

BALANCE SHEET

[In thousands of Canadian dollars]

	March 31 2005 \$	December 31 2004 \$
(unaudited)		
ASSETS		
Current		
Cash and cash equivalents	4,605	1,507
Short-term marketable securities	38,541	36,039
Accounts receivable	4,523	5,878
Inventories	2,564	2,718
Other current assets	483	735
Future income tax assets	702	600
Total current assets	51,418	47,477
Long-term marketable securities	500	4,578
Property, plant and equipment	69	77
Intangible assets	10,216	11,065
Deferred charges	4,141	4,176
Investments	1,433	1,433
Future income tax credits recoverable	450	439
Future income tax assets	1,337	1,715
	69,564	70,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	3,974	4,723
Accounts payable to related parties	738	1,754
Income taxes payable	386	229
Balance of license agreements payable	698	1,062
Total current liabilities	5,796	7,768
Shareholders' equity		
Capital stock	57,850	57,837
Other paid-in capital	618	554
Retained earnings	5,300	4,801
Total shareholders' equity	63,768	63,192
	69,564	70,960

STATEMENT OF INCOME

[In thousands of Canadian dollars except for share and per share amounts]

[unaudited]

	Three-month period ended	
	March 31	
	2005	2004
	\$	\$
Revenues	6,512	5,597
Cost of sales	1,649	1,318
Gross profit	4,863	4,279
Selling and marketing	2,127	1,433
General and administrative	841	705
Research and development	331	1,178
Amortization	1,086	791
Interest income, net	(302)	(329)
Income before income taxes	780	501
Provision for income taxes		
Current	—	25
Future	281	132
	281	157
Net income	499	344
Earnings per share		
Basic	0.03	0.02
Diluted	0.03	0.02
Weighted average number of shares outstanding		
Basic	14,859,042	14,802,846
Diluted	14,872,337	14,879,963

STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[unaudited]

	Three-month period ended	
	March 31	
	2005	2004
	\$	\$
Operating activities		
Net income	499	344
Add items not affecting cash		
Amortization	1,101	807
Compensation expense	67	137
Future income taxes	265	75
Unrealized foreign exchange (gain) loss	(17)	—
	1,915	1,363
Net change in non-cash balances relating to operations	175	(3,811)
Cash flows from (used in) operating activities	2,090	(2,448)
Investing activities		
Additions to pharmaceutical product licenses and rights and intellectual property and deferred charges	(202)	(1,423)
Acquisition of property, plant and equipment	(7)	—
Purchases of short-term marketable securities	(1,196)	(2,753)
Maturities of short-term marketable securities	3,272	8,432
Purchases of long-term marketable securities	(500)	(1,796)
Cash flows from financing activities	1,367	2,460
Financing activities		
Common shares issued for cash	13	37
Accounts payable related to the acquisition of intellectual property and deferred charges	(364)	(1,444)
Cash flows used in financing activities	(351)	(1,407)
Effect of exchange rate change on cash and cash equivalents	(8)	—
Net change in cash and cash equivalents during the period	3,098	(1,395)
Cash and cash equivalents, beginning of period	1,507	1,991
Cash and cash equivalents, end of period	4,605	596
Cash and cash equivalents	4,605	596
Short-term marketable securities	38,541	36,876
Long-term marketable securities	500	1,796
	43,646	39,268