



NEWS RELEASE

PALADIN LABS TO ACQUIRE CANADIAN LICENSE TO PENNSAID

Montreal, Canada, August 16, 2005 – Paladin Labs Inc. (TSX: PLB), a Canadian speciality pharmaceutical company, has acquired Dimethaid Health Care Ltd. (DHCL), a subsidiary of Dimethaid Research Inc. (TSX: DMX). DHCL owns the Canadian license for Pennsaid[®], a lotion approved by Health Canada for the treatment of symptoms of knee osteoarthritis.

In return for its ownership of DHCL, Dimethaid Research has received an up-front payment, a share in operating profits above minimum targets and a long-term supply agreement. "Pennsaid offers a valuable treatment option to those suffering from osteoarthritis," said Jonathan Ross Goodman, president and CEO of Paladin Labs. "This is evidenced by the fact that for the first 6 months of 2005, Pennsaid sales increased by 40% versus last year. We expect that Pennsaid will be an \$8-\$9 million brand in Canada by the end 2005."

"This is an important transaction for Dimethaid as it provides funding to implement our business plan without an immediate public market financing that would be dilutive to our shareholders. While we are giving up a portion of our Pennsaid Canadian revenue, we will continue to participate in Pennsaid's future Canadian success," said Dan Chicoine, chairman of Dimethaid. "We will now continue discussions with a number of pharmaceutical companies interested in licensing Pennsaid and Pennsaid Plus for the United States."

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 web site at www.paladinlabs.com.

About Dimethaid Research Inc.

Dimethaid Research Inc. is a publicly traded, Canadian pharmaceutical company headquartered in Markham, Ontario, with manufacturing facilities in Varennes, Québec and Wanzleben, Germany. The Company develops targeted therapeutic drugs designed to produce minimal side effects. Dimethaid's two technology platforms focus on transcellular drug delivery and immune system regulation. Products are aimed at expanding treatment options in rheumatology, dermatology, oncology, immunology, and the therapeutic management of chronic viral infections. For more information, please visit www.dimethaid.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.

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