



British Columbia
Securities Commission

QUARTERLY REPORT

FORM 61

INSTRUCTIONS

This report is to be filed by Exchange Issuers within 60 days of the end of their first, second and third fiscal quarters and within 140 days of the end of their fourth fiscal quarter. Three schedules (typed) are to be attached to this report as follows:

SCHEDULE A: FINANCIAL INFORMATION

Financial information prepared in accordance with generally accepted accounting principles for the fiscal year-to-date, with comparative information for the corresponding period of the preceding fiscal year. This financial information should consist of the following:

For the first, second and third fiscal quarters:

An interim financial report presented in accordance with Section 1750 of the C.I.C.A. Handbook. This should include a summary income statement (or a statement of deferred costs) and a statement of changes in financial position. A summary balance sheet is also to be provided.

For the fourth fiscal quarter (year end):
Annual audited financial statements.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below is to be provided when not included in Schedule A.

1. *For the current fiscal year-to-date:*

Breakdown, by major category, of those expenditures and costs which are included in the deferred costs, exploration and development expenses, cost of sales or general and administrative expenses set out in Schedule A. State the aggregate amount of expenditures made to parties not at arm's length from the issuer.

2. *For the quarter under review:*

(a) Summary of securities issued during the period, including date of issue, type of security (common shares, convertible debentures, etc.), type of issue (private placement, public offering, exercise of warrants, etc.) number, price, total proceeds, type of consideration (cash, property, etc.) and commission paid.

(b) Summary of options granted, including date, number, name of optionee, exercise price and expiry date.

3. *As at the end of the quarter:*

- (a) Particulars of authorized capital and summary of shares issued and outstanding.
- (b) Summary of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date.
- (c) Total number of shares in escrow or subject to a pooling agreement.
- (d) List of directors.

SCHEDULE C: MANAGEMENT DISCUSSION

Review of operations in the quarter under review and up to the date of this report, including brief details of any significant event or transaction which occurred during the period. The following list can be used as a guide but is not exhaustive:

Acquisition or abandonment of resource properties, acquisition of fixed assets, financings and use of proceeds, management changes, material contracts, material expenditures, transactions with related parties, legal proceedings, contingent liabilities, default under debt or other contractual obligations, special resolutions passed by shareholders.

Specifically, the management discussion must include:

- (a) disclosure of and reasons for any material differences in the actual use of proceeds from the previous disclosure by the issuer regarding its intended use of proceeds; and
- (b) a brief summary of the investor relations activities undertaken by or on behalf of the issuer during the quarter and disclosure of the material terms of any investor relation arrangements or contracts entered into by the issuer during the quarter.

Freedom of Information and Protection of Privacy Act
The personal information requested on this form is collected under the authority of and used for the purpose of administering the Securities Act. Questions about the collection or use of this information can be directed to the Supervisor, Statutory Filings (604-660-4890), 1100 - 855 Hamby Street, Vancouver, British Columbia V6Z 2H4.

ISSUER DETAILS

NAME OF ISSUER

PALADIN LABS INC

ISSUER'S ADDRESS

8400 DARNLEY Road

CITY

MONTREAL

PROVINCE

QUEBEC

CONTACT PERSON

MARK BEAUDET

FOR QUARTER ENDED

JUNE 30, 1997 9 7 10 8 15

DATE OF REPORT

Y M D

POSTAL CODE

H 4 T 1 H 4

ISSUER FAX NO.

(514) 342-7764

ISSUER TELEPHONE NO.

(514) 340-1114

CONTACT'S POSITION

Vice-President

CONTACT TELEPHONE NO.

(514) 340-5032

CERTIFICATE

The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE

DIRECTOR'S SIGNATURE

PRINT FULL NAME

MARK BEAUDET

PRINT FULL NAME

T. H. ...

DATE SIGNED

9 7 08 2 6

DATE SIGNED

0 2 0 0 0 4



FINANCIAL STATEMENTS
(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 1997
WITH COMPARATIVE FOR THE SIX MONTHS ENDED JUNE 30, 1996

PALADIN LABS INC.
BALANCE SHEET
AT JUNE 30, 1997
(Unaudited)

	Jun-97	Jun-96
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash	636,016	794,687
GST receivable	48,965	333
INCOME TAXES RECOVERABLE	22,290	
	707,271	795,019
<u>OTHER ASSETS</u>		
Pharmaceutical Product Rights	2,418,916	4,293,626
Trade Mark Licences	125,779	140,433
	3,251,966	5,229,078
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable - Shareholder	135,740	0
- Other	31,425	582
	167,165	582
<u>SHAREHOLDERS' EQUITY</u>		
<u>CAPITAL STOCK</u>	8,866,390	9,003,268
<u>CONTRIBUTED SURPLUS</u>	86,513	86,513
<u>DEFICIT</u>	(5,868,102)	(3,850,930)
	3,084,800	5,238,850
	3,251,966	5,239,432

PALADIN LABS INC.
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1997
WITH COMPARATIVE FOR THE SIX MONTHS ENDED JUNE 30, 1996
(Unaudited)

	<u>1997</u>	<u>1996</u>
	\$	\$
<u>REVENUES</u>		
Royalty Income	195,952	0
Interest Earned	9,359	19,195
	<u>205,311</u>	<u>19,195</u>
 <u>EXPENSES</u>		
Amortization	106,314	144,329
Office & General Expenses	5,647	994
Professional fees	34,112	26,001
R & D	286,581	0
Regulatory fees	370	0
Salaries	65,885	12,277
Shareholder Relations	1,826	311
Taxes & Licences	15,779	28,719
	<u>516,513</u>	<u>212,631</u>
 <u>NET LOSS FOR THE PERIOD</u>	 <u><u>(311,202)</u></u>	 <u><u>(193,436)</u></u>
 <u>LOSS PER SHARE</u>	 <u><u>(\$0.08)</u></u>	 <u><u>(\$0.05)</u></u>

PALADIN LABS INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTHS ENDED JUNE 30, 1997
WITH COMPARATIVE FOR THE SIX MONTHS ENDED JUNE 30, 1996
(Unaudited)

	<u>1997</u>	<u>1996</u>
	\$	\$
<u>OPERATING ACTIVITIES</u>		
Net loss for the period	(311,202)	(193,436)
Add items not affecting cash:		
Amortization	<u>106,314</u>	<u>144,329</u>
	(204,888)	(49,107)
Changes in working capital non-cash items relating to operations	<u>(167,780)</u>	<u>(192,149)</u>
	<u>(372,669)</u>	<u>(241,256)</u>
<u>FINANCING ACTIVITIES</u>		
Common shares issued for cash	<u>250,000</u>	<u>0</u>
	<u>250,000</u>	<u>0</u>
<u>INCREASE (DECREASE) IN CASH</u>	(122,669)	(241,256)
Cash, beginning of period	<u>758,685</u>	<u>1,035,943</u>
<u>CASH, END OF PERIOD</u>	<u><u>636,016</u></u>	<u><u>794,687</u></u>

7/28/97 11:06