



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 - 865 Homby Street, Vancouver, British Columbia V6Z 2H4.

ISSUER DETAILS

NAME OF ISSUER PALADIN LABS INC.		FOR QUARTER ENDED Sep 30, 97	DATE OF REPORT Y M D 9 7 1 1 15
ISSUER'S ADDRESS 8400 DARNLEY ROAD			
CITY MONTREAL	PROVINCE QUEBEC	POSTAL CODE H4T 1M4	ISSUER FAX NO. (514) 342-7764
CONTACT PERSON JONATHAN GOODMAN		ISSUER TELEPHONE NO. (514) 340-1114	CONTACT TELEPHONE NO. (514) 340-5032
		CONTACT'S POSITION PRESIDENT	

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 	PRINT FULL NAME Jonathan Goodman	DATE SIGNED Y M D 9 7 1 1 21
DIRECTOR'S SIGNATURE 	PRINT FULL NAME MARK BRAUDET	DATE SIGNED Y M D 9 7 1 1 21



FINANCIAL STATEMENTS

(Unaudited)

FOR THE **NINE MONTHS ENDED SEPTEMBER 30, 1997**

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

	Sep.97	Sep.96
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash	622,197	768,749
Receivables	20,239	2,041
Income Taxes Recoverable	32,100	49,454
	674,537	820,245
<u>OTHER ASSETS</u>		
Pharmaceutical Product Rights	2,369,422	4,219,598
Trade Mark Licences	122,115	136,769
	3,166,074	5,176,613
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable - Shareholder	301	15,212
- Other	33,156	31,450
	33,457	46,662
<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>	(5,820,285)	(3,959,830)
	3,132,617	5,129,951
	3,166,074	5,176,613

PALADIN LABS INC.
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(Unaudited)

	1997	1996
<u>REVENUES</u>		
Royalty Income	421,430	25,199
Interest Earned	14,642	25,090
	436,073	50,288
<u>EXPENSES</u>		
Amortization	159,470	222,021
Office & General Expenses	6,345	1,730
Professional fees	59,288	37,233
R & D	374,689	0
Regulatory fees	1,570	0
Salaries	79,680	31,053
Shareholder Relations	2,636	342
Taxes & Licences	15,779	28,795
	699,458	321,174
<u>NET LOSS FOR THE PERIOD</u>	(263,385)	(270,886)
<u>LOSS PER SHARE</u>	(\$0.07)	(\$0.07)

PALADIN LABS INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(Unaudited)

	1997	1996
<u>OPERATING ACTIVITIES</u>		
Net loss for the period	(263,385)	(270,886)
Add items not affecting cash:		
Amortization	159,470	222,021
	<u>(103,915)</u>	<u>(48,865)</u>
Changes in working capital non-cash items relating to operations	(282,573)	(218,329)
	<u>(386,488)</u>	<u>(267,194)</u>
<u>INVESTING ACTIVITIES</u>		
Common shares issued for cash	250,000	0
Addition to other assets		(386,879)
Aquisition through issuance of common shares		386,879
	<u>250,000</u>	<u>0</u>
<u>INCREASE (DECREASE) IN CASH</u>	(136,488)	(267,194)
Cash, beginning of period	758,685	1,035,943
<u>CASH, END OF PERIOD</u>	<u>622,197</u>	<u>768,749</u>