



**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 - 865 Hombly Street, Vancouver, British Columbia V6Z 2H4.

ISSUER DETAILS

NAME OF ISSUER PALADIN LABS INC.	FOR QUARTER ENDED Mar 31/98	DATE OF REPORT 98 05 14
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ISSUER'S ADDRESS 8400 DARNLEY ROAD
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CITY MONTREAL	PROVINCE QUEBEC	POSTAL CODE H4T 1M4	ISSUER FAX NO. (514) 342-7764	ISSUER TELEPHONE NO. (514) 340-1114
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CONTACT PERSON JONATHAN GOODMAN	CONTACT'S POSITION PRESIDENT	CONTACT TELEPHONE NO. (514) 340-5032
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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 98 05 14
DIRECTOR'S SIGNATURE 	PRINT FULL NAME MARK BEAUDET	DATE SIGNED 98 05 14



FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 1998

PALADIN LABS INC.
BALANCE SHEET
AT MARCH 31, 1998
(Unaudited)

	Mar-98	Mar-97
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash	540,634	683,307
Trade Receivables	45,123	6,220
Parent Company Receivables	1,202,444	57,882
Income Taxes Recoverable	105,472	63,749
Other Current Assets	10,000	0
	1,903,673	811,159
 <u>OTHER ASSETS</u>		
Pharmaceutical Product Rights	1,505,546	2,468,409
Trade Mark Licences	0	129,442
	3,409,219	3,409,010
 <u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable	34,835	39,947
 <u>SHAREHOLDERS' EQUITY</u>		
<u>CAPITAL STOCK</u>	9,616,390	8,866,390
<u>CONTRIBUTED SURPLUS</u>	86,513	86,513
<u>DEFICIT</u>	(6,328,519)	(5,583,839)
	3,374,384	3,369,063
	3,409,219	3,409,010

PALADIN LABS INC.
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1998
(Unaudited)

	1998	1997
<u>REVENUES</u>		
Royalty Income	490,430	93,005
Interest Earned	6,599	5,207
	497,029	98,211
<u>EXPENSES</u>		
Amortization	29,507	53,157
Office & General Expenses	1,748	2,165
Professional fees	10,502	21,513
R & D	188,915	0
Regulatory fees	234	370
Salaries	28,252	47,101
Shareholder Relations	3,422	845
Taxes & Licences	55	0
	262,634	125,150
<u>NET PROFIT (LOSS) FOR THE PERIOD</u>	234,395	(26,939)
<u>GAIN (LOSS) PER SHARE</u>	\$0.05	(\$0.01)

PALADIN LABS INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE THREE MONTHS ENDED MARCH 31, 1998
(Unaudited)

	1998	1997
<u>OPERATING ACTIVITIES</u>		
Net profit (loss) for the period	234,395	(26,939)
Add items not affecting cash:		
Amortization	29,507	53,157
	263,901	26,218
Changes in working capital non-cash items relating to operations	(1,035,948)	(351,596)
	(772,046)	(325,378)
<u>INVESTING ACTIVITIES</u>		
Common shares issued for cash	750,000	250,000
Addition to other assets	0	0
Aquisition through issuance of common shares	0	0
	750,000	250,000
<u>INCREASE (DECREASE) IN CASH</u>	(22,046)	(75,378)
Cash, beginning of period	562,681	758,685
<u>CASH, END OF PERIOD</u>	540,634	683,307