

Paladin Labs Inc.
Financial Statements
For the nine months ended
September 30, 1999
(Unaudited)

Paladin Labs Inc.

Balance Sheet
(Unaudited)

September 30	1999	1998
Assets		
Current		
Cash and short-term deposits	\$ 7,495,210	\$ 6,315,956
Accounts receivables	1,162,612	29,759
Parent company receivables	771,010	2,654,005
Inventories	1,113,175	0
Income taxes	144,097	27,290
Other current assets	0	10,000
	<u>10,686,104</u>	<u>9,037,010</u>
Purchase of license agreements, product rights, and other intangible assets, net	739,112	1,446,532
Investments	2,103,173	0
Deferred income taxes	68,016	0
	<u>\$ 13,596,405</u>	<u>\$ 10,483,542</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable - trade	\$ 100,715	\$ 37,056
Shareholders' equity		
Capital stock	17,088,649	15,659,540
Contributed surplus	86,513	86,513
Deficit	(3,679,472)	(5,299,567)
	<u>13,495,690</u>	<u>10,446,486</u>
	<u>\$ 13,596,405</u>	<u>\$ 10,483,542</u>

Paladin Labs Inc.
Statement of Operations
(Unaudited)

For the nine month period ended September 30	1999	1998
Revenues	\$ 8,431,709	\$ 3,450,250
Costs and expenses		
Cost of products sold	2,708,891	682,930
Research and development	517,860	683,975
Selling, general and administration	3,010,848	731,477
Amortization	8,090	88,520
	6,245,689	2,186,902
Income before provision for taxes	2,186,020	1,263,348
Provision for income taxes	365,669	0
Net Income	\$ 1,820,351	\$ 1,263,348
Basic earnings per share	\$0.20	\$0.23
Diluted earnings per share	\$0.20	\$0.22
Weighted average shares outstanding		
No dilution	9,122,874	5,542,239
Fully diluted	9,759,155	5,707,998

Paladin Labs Inc.

**Statement of Cash Flow
(Unaudited)**

For the nine month period ended September 30	1999	1998
Operating activities		
Net profit for the period	\$ 1,820,351	\$ 1,263,347
Item not affecting cash		
Amortization	8,090	88,520
	<u>1,828,441</u>	<u>1,351,867</u>
Changes in non-cash operating items	<u>1,471,710</u>	<u>(2,391,742)</u>
	<u>356,731</u>	<u>(1,039,875)</u>
Investing activities		
Common shares issued for cash	221,502	6,793,150
Addition to other assets	(2,829,373)	0
Acquisition through issuance of common shares	<u>1,201,259</u>	<u>0</u>
	<u>(1,406,612)</u>	<u>6,793,150</u>
Increase (decrease) in cash	(1,049,881)	5,753,275
Cash, beginning of period	<u>8,545,091</u>	<u>562,681</u>
Cash, end of period	<u>\$ 7,495,210</u>	<u>\$ 6,315,956</u>