

PALADIN LABS INC.
FINANCIAL STATEMENTS
JUNE 30, 2000

Paladin Labs Inc.
Balance Sheet
(Unaudited)

As at June 30	2000	1999
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	26,896,962	9,240,334
Accounts receivable	1,234,950	1,360,378
Inventories	724,448	1,236,850
Income tax asset	334,388	129,095
Income tax credits receivable	913,374	-
Loans receivable	105,433	-
Total current assets	30,209,555	11,966,657
Investments, at cost	2,103,173	59,600
Patents, pharmaceutical product licenses and rights (net of accumulated amortization)	1,466,981	21,002
Income tax asset	4,990,475	68,016
	38,770,185	12,115,275
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,211,525	103,725
Income taxes payable	(86,827)	-
Deferred credit	240,372	-
Total current liabilities	1,365,071	103,725
Balance of sale payable	450,000	-
Deferred credit	3,586,824	-
	5,401,895	103,725
Shareholders' equity		
Capital stock	37,910,594	16,167,145
Contributed surplus	86,513	86,513
Deficit	(4,628,817)	(4,242,108)
Total shareholders' equity	33,368,290	12,011,550
	38,770,185	12,115,275

Paladin Labs Inc.
Statement of Income
(Unaudited)

For the six months ended June 30	2000	1999
	\$	\$
Revenues	5,746,976	5,686,600
Expenses		
Cost of sales	2,107,142	1,869,834
Selling and administrative	2,296,765	1,920,549
Research and development	472,195	476,366
Amortization	47,431	-
Interest income	(437,274)	(203,531)
	4,486,259	4,063,218
Income before provision for taxes	1,260,717	1,623,382
Provision for income taxes	130,339	247,972
Net Income	1,130,378	1,375,411
Basic earnings per share	\$0.11	\$0.15
Diluted earnings per share	\$0.10	\$0.14

Paladin Labs Inc.
Statement of Cash Flow
(Unaudited)

For the six months ended June 30	2000	1999
	\$	\$
Operating activities		
Net income for the period	1,130,378	1,375,411
Add items not affecting cash		
Amortization	47,431	-
Provision for income taxes	130,339	-
	<u>1,308,148</u>	<u>1,375,411</u>
Net change in non-cash balances relating to operations	<u>(1,970,691)</u>	<u>(1,121,824)</u>
Cash flows from operating activities	<u>(662,543)</u>	<u>253,587</u>
Investing activities		
Additions to patents, pharmaceutical product licenses and rights		
	<u>(733,778)</u>	<u>(60,600)</u>
Cash flows from investing activities	<u>(733,778)</u>	<u>(60,600)</u>
Financing activities		
Common shares issued for cash	20,300,000	502,257
Share issue expenses	(1,892,250)	-
Cash flows from financing activities	<u>18,407,750</u>	<u>502,257</u>
Net increase (decrease) in cash and cash equivalents	17,011,429	695,244
Cash and cash equivalents, beginning of period	<u>9,885,533</u>	<u>8,545,090</u>
Cash and cash equivalents, end of period	<u>26,896,962</u>	<u>9,240,334</u>