

PALADIN LABS INC.
FINANCIAL STATEMENTS
September 30, 2000

**Paladin Labs Inc.
Balance Sheet
(Unaudited)**

As at September 30	2000	1999
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	25,921,847	7,495,210
Accounts receivable	1,014,615	1,932,622
Inventories	739,119	1,113,175
Income tax asset	334,388	144,097
Income tax credits receivable	913,374	-
Loans receivable	104,923	1,000
Total current assets	29,028,266	10,686,104
Computer equipment	31,089	-
Investments, at cost	2,366,016	2,103,173
Patents, pharmaceutical product licenses and rights (net of accumulated amortization)	3,402,255	739,112
Income tax asset	4,626,918	68,016
	39,454,544	13,596,405
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,199,636	100,715
Income taxes payable	(86,827)	-
Deferred credit	240,372	-
Total current liabilities	1,353,181	100,715
Balance of sale payable	450,000	-
Deferred credit	3,325,063	-
	5,128,244	100,715
Shareholders' equity		
Capital stock	38,047,375	17,088,649
Contributed surplus	86,513	86,513
Deficit	(3,807,587)	(3,679,472)
Total shareholders' equity	34,326,300	13,495,690
	39,454,544	13,596,405

Paladin Labs Inc.
Statement of Income
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
	\$	\$	\$	\$
Revenues	3,044,554	2,472,883	8,791,530	8,159,483
Expenses				
Cost of sales	951,921	839,057	3,059,063	2,708,891
Selling and administrative	1,069,763	1,088,710	3,342,778	3,010,848
Research and development	430,386	41,494	902,581	517,860
Amortization	47,094	8,090	94,525	8,090
Interest income	(375,616)	(68,695)	(789,140)	(272,226)
	2,123,548	1,908,656	6,609,807	5,973,463
Income before provision for taxes	921,006	564,227	2,181,723	2,186,020
Provision for income taxes	101,796	(247,972)	232,135	365,669
Net Income	819,210	812,199	1,949,588	1,820,351
Basic earnings per share	\$ 0.07	\$ 0.09	\$ 0.17	\$ 0.20
Diluted earnings per share	\$ 0.07	\$ 0.08	\$ 0.17	\$ 0.20

Paladin Labs Inc.
Statement of Cash Flow
(Unaudited)

For the nine months ended September 30	2000	1999
	\$	\$
Operating activities		
Net income for the period	1,949,588	1,820,351
Add items not affecting cash		
Amortization	94,525	8,090
Provision for income taxes	232,135	365,669
	<u>2,276,248</u>	<u>2,194,110</u>
Net change in non-cash balances relating to operations	<u>(2,326,504)</u>	<u>(1,837,379)</u>
Cash flows from operating activities	<u>(50,256)</u>	<u>356,731</u>
Investing activities		
Acquisition of computer equipment	(31,089)	-
Additions to investments	287,157	(2,103,173)
Additions to patents, pharmaceutical product licenses and rights		
	<u>(2,716,148)</u>	<u>(726,200)</u>
Cash flows from investing activities	<u>(2,460,080)</u>	<u>(2,829,373)</u>
Financing activities		
Common shares issued for cash	20,436,977	221,502
Acquisition through issuance of common shares	-	1,201,259
Share issue expenses	(1,890,426)	-
Cash flows from financing activities	<u>18,546,551</u>	<u>1,422,761</u>
Net increase (decrease) in cash and cash equivalents	16,036,215	(1,049,881)
Cash and cash equivalents, beginning of period	9,885,632	8,545,091
Cash and cash equivalents, end of period	25,921,847	7,495,210