



PALADIN ACHIEVES RECORD RESULTS FOR THIRD QUARTER

-- Quarter Marked by a 60% Increase in Revenues and an 80% increase in Net Income --

Montreal, PQ – November 8, 2001 – Paladin Labs Inc. (“Paladin”) (TSE: PLB) today announced its financial results for the quarter ended September 30, 2001.

Highlights of the third quarter 2001 include:

- ?? Increased revenues to \$4.9 million – up 60%
- ?? Increased net income to \$1.5 million – up 80%
- ?? Acquired Propyl-Thyracil⁷ from Merck Frosst for the treatment of hyperthyroidism

“Our strong performance was primarily due to revenues derived from new or recently launched products, including Androderm⁷, Plan B⁷, MUSE⁷, Tapazole⁷, and Oesclim⁷,” said Jonathan Goodman, President and CEO of Paladin. “We expect revenue growth to accelerate in the future as these products gain market acceptance.”

Revenues for the third quarter of 2001 were \$4.9 million, an increase of \$1.8 million or 60% over the third quarter of 2000. For the nine-month period ended September 30, 2001, revenues increased by \$4.1 million or 46% to \$12.9 million from \$8.8 million in the first nine months of 2000. Gross profit, as a percentage of revenues, improved to 71% in the current quarter from 69% in the same quarter last year.

Net income for the quarter increased 80% to \$1.4 million from \$819,210 in the third quarter last year. Diluted earnings per share increased 71% to \$0.12 per share compared to \$0.07 per share in the third quarter of 2000. Net income for the nine months ended September 30, 2001 increased 53% to \$2.9 million from \$1.9 million for the comparable period last year. Diluted earnings per share increased 41% to \$0.24 per share compared to \$0.17 per share for the same period last year.

Selling and administrative expenses increased to \$1.7 million from \$1.1 million in the third quarter of 2000. This increased spending was due to marketing spending associated with new product launches and to higher staffing costs related to an expanded sales and marketing infrastructure. Research and development expenses amounted to \$247,786 in the current quarter, a reduction of \$182,600 from the third quarter last year. Amortization expense in the third quarter of 2001 was \$166,513, compared to \$47,094 in the corresponding quarter last year. This increase reflected Paladin’s success in acquiring new products during the past year.

Product Acquisitions & In-Licensing

This quarter Paladin strengthened its portfolio with the acquisition of Propyl-Thyracil⁷ from Merck Frosst Canada & Co. (NYSE: MRK). Propyl-Thyracil⁷ is indicated for the treatment of hyperthyroidism and

competes in a market that, according to IMS Canada, grew at an annual rate of 9% for the past three years.

Subsequent to the quarter, Paladin announced the acquisition of the Canadian rights to Rogitine[®] from Novartis Pharmaceuticals Canada Inc. (NYSE:NVS). Rogitine[®] is an alpha-adrenoreceptor blocker and is indicated to prevent and control hypertensive episodes in-patients with pheochromocytoma. There have been numerous publications on the use of Rogitine[®], in combination with other products, for the treatment of erectile dysfunction. Rogitine[®] sales are well established in Canada, reaching approximately \$500,000 during the past twelve-month period.

“With over \$22 million of cash and temporary investments and virtually no debt, Paladin is well positioned to execute its strategy of acquiring or in-licensing innovative pharmaceuticals for the Canadian market”, said Jonathan Goodman, President & CEO.

2001 Third Quarter Results – Conference Call Notice

Paladin will host a conference call to discuss the third quarter 2001 results on Thursday, November 8 at 10:00 am EST. **The dial in number for the conference call is 1-800-273-9672 or 1-416-695-5806 and the reference number is 962654.** The call will be audio-cast live and archived for 90 days at www.financialdisclosure.ca and www.paladin-labs.com.

About Paladin Labs Inc.

Paladin Labs, headquartered in Montreal, Quebec, is a rapidly growing pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian market. With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada’s most profitable publicly-traded pharmaceutical companies. Paladin’s shares trade on the Toronto Stock Exchange under the symbol *PLB*. For more information about Paladin, please visit the Paladin Web Site at www.paladin-labs.com.

This news release may contain forward-looking statements or predictions. These statements represent our judgement as of this date and are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed in such forward-looking statements. Potential risks and uncertainties include, without limitation, those associated with product development, clinical trials, future revenues and profitability, and obtaining marketing approval.

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PALADIN LABS INC.
BALANCE SHEET

	September 30	December 31
	2001	2000
	\$	\$
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	2,616,487	2,857,528
Temporary investments	19,854,918	21,481,436
Accounts receivable	2,380,127	1,494,527
Inventories	49,785	410,885
Income tax credits receivable	440,446	1,036,374
Future income tax assets	1,520,000	1,520,000
Total current assets	26,861,763	28,800,750
Capital assets, net of accumulated amortization	10,720,607	6,143,770
Investments, at cost	2,770,527	2,366,016
Long term future income tax assets	2,888,871	4,118,321
	43,241,768	41,428,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,226,706	1,802,581
Income taxes payable	89,188	98,413
Deferred credit	977,760	977,760
Total current liabilities	2,293,654	2,878,754
Balance of sale payable	531,750	495,000
Long term deferred credit	1,428,594	2,286,594
	4,253,998	5,660,348
Shareholders' equity		
Capital stock	36,831,013	36,595,379
Contributed surplus	86,513	86,513
Retained earnings (Deficit)	2,070,244	(913,383)
Total shareholders' equity	39,987,770	35,768,509
	43,241,768	41,428,857

PALADIN LABS INC.
STATEMENT OF INCOME
(UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
	\$	\$	\$	\$
Revenues	4,859,314	3,044,554	12,858,858	8,791,530
Cost of Sales	1,407,300	951,921	4,112,536	3,059,063
Gross profit	3,452,014	2,092,633	8,746,322	5,732,467
Selling and administrative	1,691,275	1,069,763	5,263,364	3,342,778
Research and development	247,786	430,386	492,220	902,581
Amortization	166,513	47,094	475,816	94,525
Interest income	(231,939)	(375,616)	(829,011)	(789,140)
Gain on disposal of license	(108,694)	-	(108,694)	-
Income before income taxes	1,687,073	921,006	3,452,627	2,181,723
Provision for income taxes				
Current	5,000	-	15,000	-
Future	209,000	101,796	454,000	232,135
	214,000	101,796	469,000	232,135
Net income	1,473,073	819,210	2,983,627	1,949,588
Earnings per share				
Basic	\$ 0.12	\$ 0.07	\$ 0.24	\$ 0.17
Diluted	\$ 0.12	\$ 0.07	\$ 0.24	\$ 0.17
Weighted average shares outstanding				
Basic	12,428,420	12,385,909	12,410,020	11,208,676
Diluted	12,486,145	12,486,098	12,476,703	11,349,849

PALADIN LABS INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
	\$	\$	\$	\$
Operating activities				
Net income	1,473,073	819,210	2,983,627	1,949,588
Add items not affecting cash				
Amortization	166,513	47,094	475,817	94,525
Future income taxes	173,450	101,796	371,450	232,135
Gain on disposal of license	(108,694)	-	(108,694)	-
Imputed interest on balance of sale	12,250	-	36,750	-
	1,716,592	968,100	3,758,950	2,276,248
Net change in non-cash balances relating to operations	(518,354)	194,284	(513,672)	(2,326,405)
Cash flows from (used in) operating activities	1,198,238	1,162,384	3,245,278	(50,157)
Investing activities				
Acquisition of capital assets	(459)	(31,089)	(10,836)	(31,089)
Additions to patents, pharmaceutical product licenses and rights	(2,311,107)	(1,982,368)	(5,126,586)	(2,716,148)
Investments	(211,049)	(262,843)	(211,049)	287,157
Net decrease (increase) in temporary investments	(7,399,993)	(17,789,539)	1,626,518	(20,388,728)
Cash flows from (used in) investing activities	(9,922,608)	(20,065,839)	(3,721,953)	(22,848,808)
Financing activities				
Common shares issued for cash	103,134	138,801	235,634	20,436,977
Share issue costs	-	-	-	(1,890,426)
Cash flows from financing activities	103,134	138,801	235,634	18,546,551
Net increase (decrease) in cash and cash equivalents	(8,621,236)	(18,764,654)	(241,041)	(4,352,414)
Cash and cash equivalents, beginning of period	11,237,723	19,297,768	2,857,528	4,885,528
Cash and cash equivalents, end of period	2,616,487	533,114	2,616,487	533,114
Cash and cash equivalents	2,616,487	533,114		
Temporary investments	19,854,918	25,388,733		
	22,471,405	25,921,847		