



PALADIN LABS ANNOUNCES FIRST QUARTER FINANCIAL RESULTS

-- First Quarter Marked by Increased Revenues and Strong Earnings Performance --

Montreal, PQ – May 3, 2001 – Paladin Labs Inc. (“Paladin”) (TSE: PLB) today announced its financial results for the quarter ended March 31, 2001.

Highlights of the first quarter 2001 include:

- Increased revenues to \$3.48 million – up 29.9%
- Increased net income to \$515,483 – up 72.6%
- Acquired the Canadian rights to sell Oesclim®, an estrogen patch indicated for the relief of menopausal and post-menopausal symptoms, which were obtained from Groupe Fournier. Oesclim® compliments the sales and marketing efforts of Paladin’s other hormone related products – Androderm® and Plan B™.
- Signed an agreement with Novartis Pharmaceuticals for the exclusive Canadian marketing and distribution rights to Fiorinal® and Fiorinal-C®, which are used to treat migraines and tension headaches. This agreement supports the Company’s objective of licensing non-promoted brands from multinational pharmaceutical companies.

“Our financial results are evidence of the value that our business model can deliver and demonstrate our commitment to profitability and sound fiscal management,” said Paladin’s President and CEO, Jonathan Goodman. “Our financial strength will allow Paladin to continue to acquire innovative high-growth products to build a profitable specialty pharmaceutical company.”

Revenues for the quarter ended March 31, 2001 totaled \$3.48 million, representing an increase of 29.9% over revenues of \$2.68 million for the same time period in 2000. This increase was driven by sales of new or recently launched products such as Oesclim®, Tapazole®, Plan B™ and MUSE®.

Net income for the quarter ended March 31, 2001 climbed 72.6% over net income for the same period in 2000 to \$515,483.

Selling and administrative expenses increased to \$1,594,720 from \$1,044,903 in the first quarter of last year, primarily as a result of the significant increase in staffing costs related to the expanded infrastructure necessitated by the Company’s product line growth over the past year.

Research and development expenses at \$124,786 were \$198,761 lower than in the same quarter in 2000. This reflected the significant spending in the first quarter of last year on the development of the Company’s sustained release version of Statex® (sustained release morphine sulfate), which is expected to complete Phase III clinical testing in the current year.

Amortization expense was \$154,063 in the quarter compared to \$23,536 in the corresponding quarter last year. This increase reflected the Company’s success in acquiring new products during the past year.

2001 First Quarter Results – Conference Call Notice

The Company will host a conference call to discuss the first quarter 2001 results on Thursday, May 3rd 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 751064.

The call will be audio-cast live and archived for 90 days at www.investorlook.com and www.paladin-labs.com.

About Paladin Labs Inc.

Paladin Labs, headquartered in Montreal, Quebec, is a Canadian developer, marketer and distributor of innovative pharmaceuticals. Paladin Labs Inc. is a public company whose 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.
Statement of Income
(Unaudited)

Three months ended March 31	2001	2000
	\$	\$
Revenues	3,484,749	2,683,075
Cost of sales	1,291,236	1,048,333
Gross profit	2,193,513	1,634,742
Selling and administrative	1,594,720	1,044,903
Research and development	124,786	323,547
Amortization	154,063	23,536
Interest income	(294,539)	(91,632)
Income before income taxes	614,483	334,388
Provision for income taxes		
Current	5,000	-
Future	94,000	35,726
	99,000	35,726
Net Income	515,483	298,662
Earnings per share		
Basic	\$ 0.04	\$ 0.03
Diluted	\$ 0.04	\$ 0.03

See accompanying notes

Paladin Labs Inc.
Statement of Deficit
(Unaudited)

Three months ended March 31	2001	2000
	\$	\$
		(restated - see note 3)
Balance, beginning of period	(913,383)	(3,710,637)
Net income for the period	515,483	298,662
Balance, end of period	(397,900)	(3,411,975)

See accompanying notes

Paladin Labs Inc.
Balance Sheet

	March 31	December 31
	2001	2000
	\$	\$
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	12,148,219	2,857,528
Temporary investments	10,393,666	21,481,436
Accounts receivable	1,383,295	1,494,527
Inventories	49,785	410,885
Income tax credits receivable	457,460	1,036,374
Future income tax assets	1,520,000	1,520,000
Total current assets	25,952,425	28,800,750
Capital assets, net of accumulated amortization	8,565,500	6,143,770
Investments, at cost	2,366,016	2,366,016
Future income tax assets	3,908,321	4,118,321
	40,792,262	41,428,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	773,253	1,802,581
Income taxes payable	103,413	98,413
Deferred credit	977,760	977,760
Total current liabilities	1,854,426	2,878,754
Balance of sale payable	507,250	495,000
Deferred credit	2,146,594	2,286,594
	4,508,270	5,660,348
Shareholders' equity		
Capital stock	36,595,379	36,595,379
Contributed surplus	86,513	86,513
Deficit	(397,900)	(913,383)
Total shareholders' equity	36,283,992	35,768,509
	40,792,262	41,428,857

See accompanying notes

Paladin Labs Inc.
Statement of Cash Flows
(Unaudited)

Three months ended March 31	2001	2000
	\$	\$
Operating activities		
Net income	515,483	298,662
Add items not affecting cash		
Amortization	154,063	23,536
Future income taxes	70,000	35,726
Imputed interest on balance of sale	12,250	-
	751,796	357,924
Net change in non-cash balances relating to operations	26,918	(2,230,934)
Cash flows from (used in) operating activities	778,714	(1,873,010)
Investing activities		
Acquisition of capital assets	(6,528)	-
Additions to patents, pharmaceutical product licenses and rights	(2,569,265)	(363,998)
Net decrease (increase) in temporary investments	11,087,770	(2,499,076)
Cash flows from (used in) investing activities	8,511,977	(2,863,074)
Financing activities		
Share issue costs	-	(115,622)
Cash flows used in financing activities	-	(115,622)
Net increase (decrease) in cash and cash equivalents	9,290,691	(4,851,706)
Cash and cash equivalents, beginning of period	2,857,528	4,885,528
Cash and cash equivalents, end of period	12,148,219	33,822

See accompanying notes

Paladin Labs Inc.
Notes to Financial Statements
March 31, 2001

1. Basis of presentation

Information with respect to the December 31, 2000 balance sheet is derived from the Company's complete audited financial statements. These unaudited interim financial statements should be read in conjunction with the notes appearing in the Company's audited financial statements for the year ended December 31, 2000 and the accompanying notes.

2. Accounting policies

The accounting policies underlying these interim financial statements are those set forth in note 2 of the audited financial statements for the year ended December 31, 2000, except that effective January 1, 2001 the Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants regarding the preparation of interim financial statements. The adoption of the new recommendations did not have a significant effect on the Company's financial position or results of operations.

3. Restatement

As reported in note 3 of the audited financial statements for the year ended December 31, 2000, the Company changed its accounting policy for share issue costs retroactively, resulting in a restatement of capital stock and the deficit.