



FOR IMMEDIATE RELEASE

**PALADIN REPORTS RECORD 2007 FOURTH QUARTER AND YEAR END RESULTS
Company Provides 2008 Guidance**

Montreal, Canada, February 28, 2008 - Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today reported its financial results for the fourth quarter and year ended December 31, 2007. The Company achieved record revenues for the fourth quarter of 2007 and has achieved its 12th consecutive year of record revenues.

2007 Highlights

- Revenues for 2007 totaled a record \$62.9 million, a 30% increase compared to 2006
- Sales of key promoted brands in 2007 including: Twinject[®], Oxytrol[®], Plan B[®], Trelstar[®], Pennsaid[®], Metadol[®], Testim[®] and Tridural[™] grew 48% compared to 2006
- EBITDA¹ in 2007 increased 29% to a record \$19.9 million compared to \$15.4 million in 2006
- Paladin was inducted into the Canadian Marketing Hall of Fame with particular regard to Paladin's efforts in marketing Plan B[®]

Subsequent to the quarter

- Launched Seasonale[™], the first and only extended-cycle oral contraceptive available in Canada
- Paladin and Nycomed Canada Inc., a subsidiary of Nycomed entered into a Canadian Co-Promotion Agreement for Tridural[™] once-daily tramadol
- Exclusive Canadian Distribution Agreement with the KV Pharmaceutical Company for Micro-K[®] Extencaps[®] Capsules.

“This year marked our 12th consecutive year of record revenues. The promotional efforts behind Trelstar[®], Twinject[®], Plan B[®], Pennsaid[®] and Testim[®] contributed to our strong organic growth. With the recent launch of Tridural[™] and Seasonale[™], we expect to build from our strength in 2007 to post another record year in 2008,” said Jonathan Ross Goodman, President and CEO of Paladin Labs.

Financial Results

Revenues for the fourth quarter of 2007 increased 24% to a record \$17.7 million compared to \$14.3 million in the fourth quarter of 2006. Revenues from the Company's key promoted brands including: Twinject[®], Oxytrol[®], Plan B[®], Trelstar[®], Pennsaid[®], Metadol[®], Testim[®] and Tridural[™] increased by 39% in the fourth quarter of 2007 compared to the same period a year ago. For the year ended December 31, 2007, revenues increased 30% to a record \$62.9 million compared to \$48.4 million in 2006.

EBITDA¹ in the fourth quarter 2007 increased to \$4.9 million compared to EBITDA¹ of \$4.3 million in the fourth quarter 2006. For the year ended December 31, 2007, EBITDA¹ increased to a record \$19.9 million compared to \$15.4 million in 2006.

Net income for the fourth quarter 2007 was \$1.0 million or \$0.07 per fully diluted share compared to net income of \$1.5 million or \$0.10 per fully diluted share in 2006. Net income before extraordinary gain was \$4.2 million or \$0.27 per diluted per share for the year ended December 31, 2007. Net income for the year ended December 31, 2007 was a record \$9.0 million or \$0.59 per fully diluted share, compared to net income of \$5.8 million or \$0.38 per fully diluted share in 2006. This increase in net income includes a non-cash extraordinary gain of \$4.9 million, related to the accounting treatment of the BioEnvelop acquisition.

Selling and marketing expense for the fourth quarter of 2007 increased to \$7.3 million compared to \$5.2 million in the fourth quarter of 2006. Selling and marketing expense for the year ended December 31, 2007 increased to \$21.7 million from \$16.2 million in 2006. Increased selling and marketing expenses in 2007 have resulted primarily from the increased promotion activities behind newly launched brands.

Amortization expense for the fourth quarter 2007 increased to \$3.2 million from \$2.1 million in the corresponding period a year ago. For the twelve-month period ended December 31, 2006, amortization expense increased to \$12.5 million from \$7.3 million in 2006. Increased amortization expense in 2007 reflects the amortization of newly acquired assets.

As at December 31 2007, Paladin's cash, cash equivalents and investments in marketable securities totalled \$36.2 million. From this strong cash position, Paladin continues to pursue product acquisition opportunities.

Product Developments

During the quarter, Paladin submitted a patent application for its novel oral ingestible film composition delivery system, ThinsolTM. ThinsolTM is a water-based, enzymatically-digested carboxymethylcellulose (CMC-enz) film that is suitable for the rapid delivery of pharmaceutical and nutraceutical active ingredients. ThinsolTM may offer significant advantages over current edible film technologies. BioEnvelop'sTM research has determined that use of the ThinsolTM delivery technology allows for the development of products that others may not be able to formulate in a film strip format, such as products that are heat-sensitive and those that require high drug loads on each strip.

Subsequent to the year end, Paladin launched SeasonaleTM, the first and only extended-cycle oral contraceptive available in this country. With SeasonaleTM, Canadian women now have a new contraceptive option that will allow them to have just four periods per year. SeasonaleTM, (levonorgestrel and ethinyl estradiol 0.15mg/0.03mg tablets), is a safe and effective contraceptive option for women, striking a balance between the benefits of having fewer periods with the reassurance of still having some periods. SeasonaleTM will appeal most to busy women who do not want to deal with the inconveniences of a monthly period and to women who suffer from period-related symptoms such as cramping, heavy bleeding and headaches.

In addition, Paladin and Nycomed Canada Inc., a subsidiary of Nycomed entered into a Canadian Co-Promotion Agreement for TriduralTM once-daily tramadol. Paladin acquired the Canadian license to TriduralTM from Labopharm Inc in July 2007 and launched TriduralTM in

September 2007. Under this Co-Promotion Agreement, Nycomed Canada will share brand responsibilities and expenses with Paladin and will deploy a national primary care sales force to promote Tridural™. Paladin will continue to handle distribution of Tridural™ and will also continue to promote Tridural™ using its primary care sales force.

Paladin also entered into an exclusive Canadian Distribution Agreement with the KV Pharmaceutical Company for Micro-K® Extencaps® Capsules. Micro-K is indicated for the prevention of potassium depletion when the dietary intake of potassium is inadequate for this purpose. It is also indicated for the treatment of potassium depletion in patients with hypokalemia and metabolic alkalosis, and in the treatment of chronic digitalis intoxication. According to IMS Canada, in 2007, Canadian sales of Micro-K amounted to approximately \$2.2 million, up 6% versus 2006.

Financial Outlook

For fiscal 2008, Paladin expects to generate \$72 million to \$74 million in revenue. This forecast excludes the impact of acquisitions that may be made by the Company between now and the end of 2008.

Conference Call Notice

Paladin will host a conference call to discuss its fourth quarter results today at 10:00 a.m. EST. The dial-in number for the conference call is 1-800-731-6941 or 416-644-3421. The call will be audio-cast live and archived for 31 days at www.paladinlabs.com.

(1) EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning under Canadian Generally Accepted Accounting Principles (“GAAP”) and therefore may not be comparable to similar measures presented by other companies. The Company defines EBITDA as earnings before interest expense, taxes, amortization, and unusual items; such as write-downs and gains (losses) on intellectual property and investments. EBITDA is calculated and presented consistently from period to period and agrees, on a consolidated basis, with the amount disclosed as “Earnings before under noted items” on the consolidated statement of income. The Company believes EBITDA to be an important measurement that allows it to assess the operating performance of its ongoing business on a consistent basis without the impact of amortization expenses. The Company excludes amortization expenses because their level depends substantially on non-operating factors such as the historical cost of intangible and capital assets. The Company's method for calculating EBITDA may differ from that used by other issuers and, accordingly, this measure may not be comparable to EBITDA used by other issuers.

About Paladin Labs Inc.

Paladin Labs Inc., headquartered in Montreal, Canada, is a specialty 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 leading specialty pharmaceutical companies. For more information, please visit the Company's web site at www.paladinlabs.com.

These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The Companies consider the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but caution that these assumptions regarding the future events, many of which are beyond the control of the Companies

and their subsidiaries, may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations, are discussed in the annual reports, as well as in the Companies' Annual Information Forms for the year ended December 31, 2006. The Companies disclaim any intention or obligation to update or revise any forward-looking statements whether a result of new information, future events, or except as required by law. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Companies' ongoing quarterly filings, annual reports and Annual Information Forms and other filings found on SEDAR at www.sedar.com.

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CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

	December 31 2007 \$ (unaudited)	December 31 2006 \$ (audited ¹)
ASSETS		
Current		
Cash and cash equivalents	6,074	2,769
Marketable securities	26,041	33,305
Accounts receivable	11,920	9,495
Inventory	6,781	3,635
Other current assets	2,943	1,306
Investment tax credits receivable	244	831
Future income tax assets	2,992	2,550
Total current assets	56,995	53,891
Long-term marketable securities	4,101	—
Investment tax credits recoverable	773	—
Capital assets	300	151
Pharmaceutical product licenses and rights	24,366	21,482
Deferred charges	1,455	3,476
Investments	4,041	3,217
Future income tax assets	6,874	3,634
Total assets	98,905	85,851
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	11,582	8,208
Accounts payable to related parties	1,032	1,274
Deferred revenue	271	—
Income taxes payable	2,056	279
Balance of sale payable	89	227
Balance of license agreements payable	—	231
Total current liabilities	15,030	10,219
Future income tax liabilities	1,357	1,397
Balance of sale payable	518	494
Total liabilities	16,905	12,110
Shareholders' equity		
Capital stock	59,797	58,807
Other paid-in capital	2,019	1,223
Accumulated other comprehensive loss	(324)	—
Retained earnings	20,508	13,711
Total shareholders' equity	82,000	73,741
Total liabilities and shareholders' equity	98,905	85,851

¹ Derived from the audited annual financial statements filed on SEDAR at www.sedar.com

CONSOLIDATED STATEMENTS OF INCOME

[In thousands of Canadian dollars except for share and per share amounts]

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2007	2006	2007	2006
	\$ (unaudited)	\$ (unaudited)	\$ (unaudited)	\$ (audited ¹)
Revenues	17,697	14,282	62,941	48,357
Cost of sales	4,023	2,967	14,289	11,220
Gross profit	13,674	11,315	48,652	37,137
Expenses (income)				
Selling and marketing	7,255	5,197	21,668	16,181
General and administrative	1,393	980	5,662	4,574
Research and development	487	1,266	2,893	2,396
Interest income	(386)	(399)	(1,484)	(1,434)
Earnings before under noted items	4,925	4,271	19,913	15,420
Amortization of intangible assets and deferred charges	3,175	2,079	12,504	7,293
Unrealized loss on derivative financial instruments	13	—	364	—
Gain on disposal of investments	(415)	(173)	(565)	(173)
Other income	(348)	—	(348)	(724)
Income before income taxes and extraordinary gain	2,500	2,365	7,958	9,024
Provision for income taxes				
Current	807	90	1,766	374
Future	663	741	2,033	2,844
	1,470	831	3,799	3,218
Net income before extraordinary gain	1,030	1,534	4,159	5,806
Extraordinary gain (net of \$nil taxes)	—	—	4,874	—
Net income	1,030	1,534	9,033	5,806
Earnings per share before extraordinary gain				
Basic	0.07	0.10	0.28	0.39
Diluted	0.07	0.10	0.27	0.38
Earnings per share				
Basic	0.07	0.10	0.60	0.39
Diluted	0.07	0.10	0.59	0.38
Weighted average number of shares outstanding				
Basic	14,884,960	14,955,131	15,008,544	14,886,555
Diluted	15,154,079	15,304,223	15,319,692	15,176,437

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	Three-month periods ended		Twelve-month periods ended	
	2007	December 31 2006	2007	December 31 2006
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(audited ¹)
Operating activities				
Net income	1,030	1,534	9,033	5,806
Add items not affecting cash				
Amortization	3,205	2,091	12,600	7,354
Future income taxes	(221)	741	(3,792)	2,844
Stock-based compensation expense	228	100	977	551
Unrealized loss on derivative financial instruments	13	—	364	—
Other income	(348)	—	(348)	(724)
Gain on disposal of investments	(415)	(173)	(565)	(173)
Accreted interest on investment	(17)	—	(74)	—
Accreted interest on balance of sale payable	6	6	25	24
	3,481	4,299	18,220	15,682
Net change in non-cash balances relating to operations	301	(534)	(450)	(2,630)
Cash flows from operating activities	3,782	3,765	17,770	13,052
Investing activities				
Additions to pharmaceutical product licenses and rights, and deferred charges	(36)	(15,582)	(13,327)	(19,439)
Purchases of short-term marketable securities	(16,367)	(1,491)	(42,353)	(50,906)
Maturities of short-term marketable securities	13,470	12,162	49,626	57,086
Purchases of long-term marketable securities	(4,101)	—	(4,101)	—
Proceeds from the disposal of investments	—	515	232	515
Acquisition of capital assets	(123)	(77)	(245)	(117)
Investment in portfolio companies	—	(901)	(801)	(1,401)
Repayment of current balance of sale payable	—	—	(227)	—
Business Acquisition	—	—	(650)	—
Cash flows used in investing activities	(7,157)	(5,374)	(11,846)	(14,262)
Financing activities				
Common shares issued for cash	73	209	1,010	1,211
Repurchase of shares	(13)	—	(3,629)	(67)
Cash flows from (used in) financing activities	60	209	(2,619)	1,144
Net change in cash and cash equivalents during the period	(3,315)	(1,400)	3,305	(66)
Cash and cash equivalents, beginning of period	9,389	4,169	2,769	2,835
Cash and cash equivalents, end of period	6,074	2,769	6,074	2,769
Cash and cash equivalents	6,074	2,769		
Short-term marketable securities	26,041	33,305		
Long-term marketable securities	4,101	—		
	36,216	36,074		

