



NEWS RELEASE

PALADIN REPORTS 2008 SECOND QUARTER FINANCIAL RESULTS *- Announces acquisition of worldwide rights to Antizol® -*

Montreal, Canada, August 7, 2008 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today reported its 2008 second quarter financial results.

Second Quarter Highlights

- Revenues reached a record \$20.7 million, an increase of 34% over the same period last year
- Net income before extraordinary gain was a record \$2.6 million, an increase of 150% over the same period last year
- EBITDA¹ reached a record \$7.0 million, a 37% increase over the same period last year
- Plan B[®] granted over-the-counter status by the National Association of Pharmacy Regulatory Authorities (NAPRA)
- Licensed to Nuvo Research Inc. (TSX: NRI) the exclusive rights to develop and commercialize a novel pain formulation
- Entered into a Canadian co-promotion agreement for Seasonale[™] with Procter & Gamble (P&G) Pharmaceuticals Canada Inc. – Canada's first and only extended-cycle oral contraceptive available in Canada

Subsequent to Second Quarter

- Modified the existing licensing arrangements with Nuvo Research Inc. for Pennsaid[®] and its follow-on product, Pennsaid[®] Plus.
- Acquired the Canadian, Australian and New Zealandian rights to Unisom[™] and the Canadian rights to Kaopectate[®] from Johnson & Johnson Inc. (NYSE: JNJ).
- Acquired the worldwide rights to Antizol[®] and Antizol-Vet[®] from Jazz Pharmaceuticals, Inc. (NASDAQ: JAZZ).

“We are pleased with our strong performance marked by quarterly record revenues and EBITDA. Our product offering expanded with the addition of Unisom[™] and Kaopectate[®] from J&J and Antizol[®] from Jazz Pharmaceuticals. Thus far in 2008, we have invested over \$22.5 million in product acquisitions, product licenses and related inventory, and strategic investments. This has set the stage for strong, sustainable growth,” said Jonathan Ross Goodman, President and CEO of Paladin Labs.

Financial Results

Revenues for the second quarter of 2008 increased 34% or \$5.3 million to \$20.7 million, compared to \$15.4 million in the second quarter of 2007. This increase is due primarily to strong performance from the Company's key promoted products, including Tridural[™], Twinject[®], Seasonale[™], Plan B[®], Pennsaid[®], Metadol[®], Trelstar[®], and Testim[®] which combined increased by 43% in the second quarter of 2008 compared to the corresponding period a year ago.

Second quarter 2008 earnings before interest expense, taxes, depreciation, amortization, and unusual items (EBITDA¹) increased 37% to \$7.0 million, compared to EBITDA of \$5.1 million in the second quarter of 2007. For the six months ended June 30, 2008, EBITDA increased 25% to 12.4 million from \$9.9 million

Net income for the quarter was \$2.6 million or \$0.17 per fully diluted share, compared to net income before extraordinary gain of \$1.0 million or \$0.07 per fully diluted share for the same period last year. Net income for the six months ended June 30, 2008 was \$4.1 million or \$0.27 per fully diluted share compared to net income before extraordinary gain of \$2.3 million or \$0.15 per fully diluted share for the same period last year. Net income for the three months and six months ended June 30, 2007 was \$5.9 million or \$0.38 per fully diluted share and \$7.2 million or \$0.47 per fully diluted share, respectively.

Selling and marketing expense for the second quarter of 2008 increased 13% to \$5.6 million from \$4.9 million in the second quarter of 2007. For the six months ended June 30, 2008, selling and marketing expenses were \$11.1 million, an increase of 19% from \$9.3 million for the same period last year. The promotional activities driving selling and marketing expenses primarily relate to Paladin's launch of Seasonale™, Tridural™, Testim® and Trelstar® as well as the continued promotional activities for Twinject®, Plan B®, Pennsaid® and Metadol®.

On July 28, 2008, the Company received notices of re-assessment from the Canada Revenue Agency ("CRA") containing adjustments relating to the use of certain non-capital losses acquired as part of the Dimethaid Health Care Ltd. (subsequently renamed Squire Pharmaceuticals Inc. "Squire") acquisition from Nuvo Research Inc. ("Nuvo"). The notices of re-assessment, if they stood, would amount to additional Canadian federal tax due of approximately \$2.6 million plus interest and penalties of approximately \$1.1 million. It is likely that the CRA and provincial tax authorities will propose similar adjustments for 2007 and for future years. The Company, under the terms of the Share Purchase Agreement ("SPA") for Squire, holds certain indemnifications from Nuvo relating to the status of the Squire tax accounts and certain tax asset values. The Company estimates the total tax liability exposure as a result of the CRA's position to be approximately \$13.9 million, including interest and penalties of which it can claim at least \$9.65 million from Nuvo under the indemnification provisions of the SPA. The Company disagrees with the position taken by the CRA and believes it is without merit. The Company intends to file Notices of Objection through the CRA appeals process and the courts if necessary. In connection with the appeals process, the Company is required to post a deposit of up to one half of the tax and interest assessed amounting to \$1.9 million and will make a claim from Nuvo under the SPA. Management currently believes that the resolution of this matter will not have a material effect on the Company's results of operations, financial position or liquidity. However, an unfavourable resolution with the CRA combined with a failure of Nuvo to satisfy their obligations under the SPA, could have a material impact on the Company's results of operations, financial position and cash flows in the quarter in which an adjustment is recorded or the tax is due or paid.

At June 30, 2008, Paladin's cash, cash equivalents and investments in marketable securities totalled \$36.5 million. From this strong cash position, Paladin continues to pursue product acquisition and development opportunities.

Product Developments

During the quarter, the National Association of Pharmacy Regulatory Authorities (NAPRA) granted Plan B® full Over-the-Counter status (OTC) (schedule III). Previously, Plan B® had Behind-the-Counter status (schedule II). This means that Canadian women will no longer need to request Plan B® from the pharmacist and will be able to purchase Plan B® just like any other OTC product.

Also during the quarter, Paladin licensed to Nuvo Research Inc. the exclusive rights to develop and commercialize a novel topical pain formulation with the potential to treat inflammatory and neuropathic pain conditions. The formulation is in the pre-clinical formulation development stage and is the subject of a pending patent application. As part of the transaction, Paladin will have rights to market, distribute and sell the product in Canada, Israel, South Africa, and South & Central America.

In addition, Paladin entered into a Canadian Co-Promotion Agreement with Procter & Gamble (P&G) Pharmaceuticals Canada, Inc. for Seasonale™ - Canada's first and only extended-cycle oral contraceptive. With Seasonale™, Canadian women have an oral contraceptive option that will allow them to have just four periods per year.

Subsequent to the quarter, Paladin announced modifications to its existing licensing arrangements for Pennsaid® and its follow-on product, Pennsaid® Plus. The existing Canadian Pennsaid® Plus license between Nuvo and Squire has been amended to grant Squire the right to market, distribute and sell Pennsaid® Plus in South Africa and Israel and, if certain conditions are met, Central and South America. Pennsaid® Plus is an improved, patent pending, gel formulation of Pennsaid that may require less frequent dosing.

We acquired in July 2008 the Canadian, Australian and New Zealandian rights to Unisom™, a temporary sleep aid and the Canadian rights to Kaopectate®, an orally taken medication used for the treatment of mild diarrhoea from Johnson & Johnson Inc. According to IMS, in 2007 combined sales of these two products amounted to \$3.3 million.

Effective August 1, 2008 Paladin acquired the worldwide rights to Antizol® and Antizol-Vet® from Jazz Pharmaceuticals, Inc. Antizol® is indicated as an antidote for ethylene glycol (such as antifreeze) or methanol poisoning, or for use in suspected ethylene or methanol ingestion. Antizol-Vet® is indicated as an antidote for ethylene glycol (antifreeze) poisoning in dogs that have ingested or are suspected of having ingested ethylene glycol. Paladin licensed the Canadian rights to Antizol® in 1999 and launched in 2000. Paladin expects that worldwide sales of Antizol® over the next twelve months will be approximately \$2-3 million.

(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.

Conference Call Notice

Paladin will host a conference call to discuss its second quarter results on Thursday, August 7, 2008, at 9:30 a.m. EST. The dial-in number for the conference call is 1-800-814-4853 or 1-416-915-5765. The call will be audio-cast live and archived for 30 days at www.paladinlabs.com.

About Paladin Labs

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, 2007. 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]

	June 30 2008 \$	December 31 2007 \$
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	7,324	6,074
Marketable securities	29,222	26,041
Accounts receivable	16,405	11,920
Inventory	5,578	6,781
Other current assets	1,566	2,943
Investment tax credits receivable	—	244
Future income tax asset	2,414	2,992
Total current assets	62,509	56,995
Long-term marketable securities	—	4,101
Investment tax credits recoverable	776	773
Capital assets	526	300
Pharmaceutical product licences and rights	28,071	24,366
Deferred charges	550	1,455
Investments	3,365	4,041
Future income tax assets	7,119	6,874
Total assets	102,916	98,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	11,674	11,582
Accounts payable to related parties	1,307	1,032
Deferred revenue	—	271
Income taxes payable	4,251	2,056
Balance of sale payable	531	89
Total current liabilities	17,763	15,030
Long-term		
Future income tax liability	885	1,357
Balance of sale payable	—	518
Total liabilities	18,648	16,905
Shareholders' equity		
Capital stock	59,996	59,797
Other paid-in capital	2,567	2,019
Accumulated other comprehensive loss	(1,796)	(324)
Retained earnings	23,501	20,508
Total shareholders' equity	84,268	82,000
Total liabilities and shareholders' equity	102,916	98,905

CONSOLIDATED STATEMENTS OF INCOME

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

[unaudited]

	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenues	20,668	15,436	37,502	28,329
Cost of sales	5,452	3,734	9,396	6,206
Gross profit	15,216	11,702	28,106	22,123
Expenses (income)				
Selling and marketing	5,569	4,910	11,102	9,331
General and administrative	1,955	1,444	3,369	2,461
Research and development	1,079	610	2,122	1,156
Interest income, net	(384)	(356)	(903)	(739)
Earnings before under-noted items	6,997	5,094	12,416	9,914
Amortization of intangible assets and deferred charges	3,123	3,274	6,060	5,892
Unrealized (income) loss on derivative instruments	(66)	34	(64)	244
Gain on disposal of investment	—	—	—	(74)
Other income	(127)	—	(130)	—
Income before income taxes	4,067	1,786	6,550	3,852
Provision for income taxes				
Current	1,444	520	2,293	674
Future	35	229	192	877
	1,479	749	2,485	1,551
Net income before extraordinary gain	2,588	1,037	4,065	2,301
Extraordinary gain (net of \$nil taxes)	—	4,874	—	4,874
Net income for the period	2,588	5,911	4,065	7,175
Earnings per share before extraordinary gain				
Basic	0.17	0.07	0.27	0.15
Diluted	0.17	0.07	0.27	0.15
Earnings per share				
Basic	0.17	0.39	0.27	0.48
Diluted	0.17	0.38	0.27	0.47
Weighted average number of shares outstanding				
Basic	14,829,218	15,100,003	14,829,889	15,052,122
Diluted	15,066,153	15,437,995	15,075,385	15,382,160

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[unaudited]

	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating activities				
Net income	2,588	5,911	4,065	7,175
Add items not affecting cash				
Amortization	3,147	3,292	6,106	5,930
Future income taxes	35	(5,541)	192	(4,893)
Stock based compensation expense	466	391	709	520
Unrealized net (gain) loss on derivative instruments	(66)	34	(64)	244
Accreted interest	(26)	(19)	(50)	(36)
Gain on disposal of investments	—	—	—	(74)
Imputed interest on balance of sale	6	6	12	12
	6,150	4,074	10,970	8,878
Net change in non-cash balances relating to operations	(2,108)	(220)	446	(752)
Cash flows from operating activities	4,042	3,854	11,416	8,126
Investing activities				
Additions to pharmaceutical product licenses and rights, and deferred charges	—	(11,758)	(8,867)	(11,758)
Investment in portfolio company	(1,000)	—	(1,000)	—
Acquisition of property, plant and equipment	(55)	(32)	(310)	(71)
Purchases of short-term marketable securities	(13,363)	—	(25,128)	(25,986)
Maturities of short-term marketable securities	11,649	9,292	26,171	41,062
Purchases of long-term marketable securities	—	—	—	(10,378)
Proceeds from the disposal of investment	—	—	—	232
Business acquisition	—	(650)	—	(650)
Cash flows used in investing activities	(2,769)	(3,148)	(9,134)	(7,549)
Financing activities				
Common shares issued for cash	304	552	774	880
Repurchase of shares	—	—	(1,806)	(373)
Cash flows from (used in) from financing activities	304	552	(1,032)	507
Net change in cash and cash equivalents during the period	1,577	1,258	1,250	1,084
Cash and cash equivalents, beginning of period	5,747	2,595	6,074	2,769
Cash and cash equivalents, end of period	7,324	3,853	7,324	3,853
Cash and cash equivalents	7,324	3,853		
Short-term marketable securities	29,222	28,708		
	36,546	32,561		