



FOR IMMEDIATE RELEASE

PALADIN REPORTS 2010 RECORD FIRST QUARTER FINANCIAL RESULTS

Montreal, Canada, May 6, 2010 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today reported its 2010 first quarter financial results.

2010 First Quarter Highlights

- Revenues reached a record \$30.8 million, an increase of 19% versus last year.
- EBITDA¹ reached a record \$11.5 million, a 5% increase over the same period last year.
- Filed a new drug submission for Abstral[®] sublingual fentanyl which was granted priority review by Health Canada.
- Amended existing agreements with Isotechnika Pharma Inc. (TSX: ISA) giving Paladin full share of future net profits of the Isodiagnostika line of diagnostic products.
- Entered into a distribution agreement with Protherics Inc., a wholly owned subsidiary of BTG plc (LSE: BGC), for the exclusive Canadian rights to market and sell DigiFab[™].
- Completed a strategic investment in SpePharm Holding B.V., a rapidly-growing, specialty pharmaceutical company focused on acquiring, registering and marketing high medical value specialty medicines throughout Europe.
- Completed a strategic investment in Pharmaplan (Pty) Ltd., a leading independent specialty pharmaceutical company dedicated to the execution of a search-acquire-commercialize business model in the South African and broader sub-Saharan African region.
- Received approval from the TSX on March 1, 2010 to carry out a normal course issuer bid to purchase up to 1,102,000 common shares.

Subsequent to First Quarter

- Obtained approval from Health Canada for Seasonique[®], the next generation extended-cycle oral contraceptive for the prevention of pregnancy

“The first quarter of 2010 was a strong quarter for Paladin marked by record revenues and an expansion into global markets. Our strategic investments in Pharmaplan and SpePharm provide us new avenues for growth, and will assist our global business development efforts. Our balance sheet remains strong allowing us to continue to acquire and in-license additional products.” said Jonathan Ross Goodman, President and CEO of Paladin Labs.

Financial Results

Revenue for the first quarter of 2010 increased 19% or \$5 million to \$30.8 million, compared to \$25.8 million in the first quarter of 2009. This increase is due to the strong performance from the Company’s key promoted products, including Tridural[®], Plan B[®], Metadol[®], Trelstar[®], and Testim[®] which combined increased by 26% in the first quarter of 2010 compared to the corresponding period a year ago.

First quarter 2010, EBITDA¹ increased 5% to \$11.5 million, compared to EBITDA¹ of \$11 million in the first quarter of 2009.

Net income for the quarter was \$3 million or \$0.16 per fully diluted share, compared to net income of \$3 million or \$0.20 per fully diluted share in the first quarter a year ago.

At March 31, 2010, Paladin's cash, cash equivalents and investments in marketable securities totalled \$90 million. From this strong cash position, Paladin continues to pursue product acquisition and development opportunities.

Product Developments

During the quarter, Paladin filed a new drug submission for Abstral[®] sublingual fentanyl. The submission was accepted and granted priority review by Health Canada which provided for a 180 day review cycle. Abstral[®] is a novel, rapidly-disintegrating, sublingual (under the tongue) formulation of fentanyl, a well-established opioid used for the management of episodes of breakthrough pain experienced by cancer patients who are already receiving opioid analgesics for chronic pain.

In April 2010, Health Canada approved Seasonique[®], the next generation extended-cycle oral contraceptive for the prevention of pregnancy. Under the Seasonique[®] extended-cycle regimen, women take active tablets of 0.15 mg levonorgestrel/0.03 mg of ethinyl estradiol for 84 consecutive days, followed by seven days of a low dose of ethinyl estradiol (0.01 mg). The regimen is designed to reduce the number of withdrawal bleeding periods from thirteen to four per year.

Corporate Developments

During the quarter, Paladin amended its existing agreements with Isotechnika Pharma Inc. (TSX: ISA) giving Paladin the full share of future net profits of the Isodiagnostika line of diagnostic products in exchange for an undisclosed lump sum payable over the next twelve months. Paladin also entered into a distribution agreement with Protherics Inc, a wholly owned subsidiary of BTG plc (LSE: BGC), under which Paladin received the exclusive Canadian rights to market and sell DigiFab[™] (Digoxin Immune Fab (Ovine)). DigiFab[™] is under review with Health Canada and is expected to be indicated for the treatment of patients with life-threatening or potentially life-threatening digoxin toxicity or overdose.

Also during the quarter, Paladin made two strategic international investments. The first strategic investment was in SpePharm Holding B.V., a rapidly-growing, specialty pharmaceutical company focused on acquiring, registering and marketing high medical value specialty medicines throughout Europe. Under the terms of this agreement, Paladin invested 4 million Euros in SpePharm through a secured convertible debenture. Under the financing terms of this new relationship, conversion of Paladin's interest-bearing debt into equity would provide Paladin with an approximate 10% ownership interest in SpePharm. The second strategic investment was in Pharmaplan (Pty) Ltd. of South Africa which marked Paladin's most significant corporate development initiative to date and signalled the commitment to expand internationally. Pharmaplan is South Africa's leading independent specialty pharmaceutical company dedicated to the execution of a search-acquire-commercialize business model in the South African and broader sub-Saharan African region. Under the terms of the agreement, Paladin acquired an initial 34.99% ownership interest and committed to increase its ownership position over time based on a formula linked to Pharmaplan's actual financial performance.

In March 2010, Paladin received regulatory approval from the TSX to carry out a normal course issuer bid and has been authorized to purchase up to 1,102,000 of its common shares, or approximately 10% of its public float of 11,020,019 common shares as at February 24, 2010, in the twelve-month period following the bid's effective date.

(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, foreign exchange gains (losses), 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 first quarter results on Thursday, May 6, 2010, at 4:30 p.m. ET. The dial-in number for the conference call is 1-800-734-4208 or 1-416-981-9000. 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. 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

This press release may contain forward-looking statements and predictions. 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 Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions that these assumptions regarding the future events, many of which are beyond the control of the Company and its 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 report as well as in the Company's Annual Information Form for the year ended December 31, 2009. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information or future events and except as required by law. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual report and Annual Information Form and other fillings found on SEDAR at www.sedar.com.

FOR MORE INFORMATION, PLEASE CONTACT:

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CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

	March 31 2010 \$ (unaudited)	December 31 2009 \$ (audited ¹)
ASSETS		
Current		
Cash and cash equivalents	46,722	31,227
Marketable securities	39,185	73,274
Accounts receivable	12,075	14,167
Inventories	13,664	12,361
Other current assets	5,378	2,668
Income taxes receivable	690	4,630
Investment tax credits recoverable	776	776
Future income tax assets	6,751	6,196
Total current assets	125,241	145,299
Long-term marketable securities	4,334	868
Property, plant and equipment	493	691
Pharmaceutical product licences and rights	36,277	42,543
Investments	21,701	62
Investments tax credits recoverable	14,923	14,903
Future income tax assets	28,826	31,029
Total assets	231,795	235,395
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	18,238	22,934
Accounts payable to related parties	962	1,122
Deferred revenue	93	1,776
Income taxes payable	7,512	7,109
Balance of sale payable	343	1,650
Future income tax liabilities	250	252
Total current liabilities	27,398	34,843
Long-term		
Balance of sale payable	1,402	1,743
Future income tax liabilities	4,013	4,007
Total liabilities	32,813	40,593
Shareholders' equity		
Capital stock	120,828	119,652
Other paid-in capital	4,364	4,408
Accumulated other comprehensive income	101	98
Retained earnings	73,689	70,644
Total shareholders' equity	198,982	194,802
Total liabilities and shareholders' equity	231,795	235,395

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]

[unaudited]

	Three-month period ended March 31	
	2010	2009
	\$	\$
Revenues	30,837	25,815
Cost of sales	8,780	6,370
Gross profit	22,057	19,445
Expenses (income)		
Selling and marketing	5,788	5,512
General and administrative	2,287	1,915
Research and development	2,737	1,262
Interest income	(301)	(199)
Earnings before under-noted items	11,546	10,955
Amortization of pharmaceutical product licenses and rights	6,270	6,096
Unrealized gain on derivative financial instruments	—	(359)
Net (gain) loss on of investments	(7)	352
Foreign exchange loss	320	22
Share of net income in companies subject to significant influence	(131)	—
Income before income taxes	5,094	4,844
Provision for income taxes		
Current	422	194
Future	1,627	1,598
	2,049	1,792
Net income for the period	3,045	3,052
Earnings per share		
Basic	0.16	0.20
Diluted	0.16	0.20
Weighted average number of shares outstanding		
Basic	18,595,616	14,929,672
Diluted	19,160,825	15,212,910

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[unaudited]

	Three-month period ended	
	2010	March 31 2009
	\$	\$
Operating activities		
Net income	3,045	3,052
Add items not affecting cash		
Amortization	6,485	6,148
Future income taxes	1,625	1,598
Stock based compensation expense	353	402
Unrealized foreign exchange loss	338	57
Unrealized gain on derivative financial instruments	—	(359)
Net accreted interest income	(18)	(25)
Net (gain) loss on investments	(7)	352
Share of net income in companies subject to significant influence	(131)	—
	11,690	11,225
Net change in non-cash balances relating to operations	(1,307)	(2,902)
Cash flows from operating activities	10,383	8,323
Investing activities		
Acquisition of investments	(24,612)	—
Repayment of balance of sale payable	(1,650)	—
Acquisition of property, plant and equipment	(22)	(29)
Purchases of short-term marketable securities	(39,415)	(10,362)
Maturities of marketable securities	74,404	8,964
Purchases of long-term marketable securities	(4,373)	(1,969)
Proceeds from disposal of investments	27	2,735
Cash flows from (used in) investing activities	4,359	(661)
Financing activities		
Common shares issued for cash	771	188
Cash flows from financing activities	771	188
Foreign exchange rate change on cash and cash equivalents	(18)	(57)
Net change in cash and cash equivalents during the period	15,495	7,793
Cash and cash equivalents, beginning of period	31,227	4,646
Cash and cash equivalents, end of period	46,722	12,439
Cash and cash equivalents	46,722	12,439
Short-term marketable securities	39,185	18,093
Long-term marketable securities	4,334	1,959
	90,241	32,439

