

Paladin Labs Announces Premium Offer to Acquire Afexa Life Sciences for \$0.55 per Share

- 57% premium to recent share price
- Choice of \$0.55 in cash or 0.013 of a Paladin share per Afexa share
- Offer for any and all Afexa shares
- Minimal and customary conditions

MONTREAL, QUEBEC--(Marketwire - Aug. 10, 2011) - Paladin Labs Inc. ("Paladin" or the "Company") (TSX:PLB), a leading Canadian diversified specialty pharmaceutical company, today announced that it is making an offer to acquire any and all of the issued and outstanding shares of Afexa Life Sciences Inc. ("Afexa") (TSX:FXA) of Edmonton, Alberta for \$0.55 per share (the "Offer").

Afexa's core product is COLD-FX®, Canada's leading over-the-counter cold and flu remedy. COLD-FX® is indicated in Canada to help reduce the frequency, severity and duration of cold and flu symptoms by boosting the immune system. According to Afexa, most of the company's revenue is from the sale of COLD-FX®.

Paladin announced on July 15, 2011, that it had purchased Afexa common shares on the Toronto Stock Exchange that gave Paladin beneficial ownership of a total of 15,421,300 common shares of Afexa or approximately 14.94% of Afexa's total issued and outstanding common shares. The shares acquired on July 15 were purchased at prices between and \$0.36 and \$0.55 per share.

Premium Offer

Based on the Offer's cash alternative, Paladin's Offer represents a 57% premium to the Afexa share price on July 14, 2011, the last trading day prior to Paladin's market purchases of Afexa shares announced on July 15, 2011, and a 43% premium to the volume weighted average trading price of Afexa shares over the 20 days up to and including July 14, 2011. It also represents a premium of approximately 16% over the closing price of Afexa shares of \$0.475 on August 9, 2011, the last day before commencement of the offer.

Choice of consideration

Under the Offer, Afexa shareholders will be entitled to elect to tender their shares for either \$0.55 per share in cash or 0.013 of a Paladin share for each Afexa share, through a tax-free rollover (for most Canadian residents). The share exchange ratio was calculated based on a price of \$43.14 per Paladin share, which represents the volume-weighted average price of Paladin's shares for the 20 trading days ending August 9, 2011.

Following the July 15 announcement of the acquisition of Afexa shares, Paladin approached Afexa in an effort to negotiate a mutually beneficial transaction. Under an exclusivity and standstill agreement, the two companies discussed several strategic alternatives. By the August 5 expiry of the agreement, those discussions had failed to result in a negotiated transaction and, in Paladin's view, there was little prospect of one being completed on a timely basis. Paladin then decided to make an offer to acquire Afexa directly to its shareholders.

"We believe we are making a very compelling offer, with a significant premium to the shareholders of Afexa. Our offer provides an opportunity for Afexa shareholders to receive an immediate and attractive cash premium for their investment at a time when the outlook for Afexa is uncertain," said Jonathan Ross Goodman, President and Chief Executive Officer of Paladin. "We are also offering Afexa shareholders the choice of continuing to have an interest in COLD-FX® and in the specialty pharmaceutical sector by accepting shares in Paladin, a diversified, profitable and rapidly growing company whose shares have significantly outperformed Afexa and the market generally over the past five years."

High certainty of completion

The Paladin Offer is open until 8:00 p.m. Toronto time on September 15, 2011 and has a total value of approximately \$50 million, assuming that all shares not already owned by Paladin are tendered. The conditions to the Offer are customary and minimal and they will be described in detail in the offer to purchase and takeover bid circular (the "Circular") which will be mailed to the registered shareholders (and optionholders) of Afexa today. They include: TSX approval to list the additional Paladin Shares issued in exchange for Afexa shares; the Afexa Shareholder Rights Plan being waived, invalidated or cease traded, and; Paladin having determined that there has not been and, if the Offer is completed, there is not reasonably likely to be, a material adverse effect.

The Offer has no minimum tender condition and is not subject to due diligence or financing conditions.

The Offer is being initiated through the mailing of the Circular to Afexa's registered shareholders and optionholders and will be filed on SEDAR today. The Circular will be available at www.sedar.com and through the Company's website, www.paladinlabs.com. All information about Paladin's Offer will also be available at www.afexaoffer.com.

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. Paladin's shares trade on the Toronto Stock Exchange under the symbol PLB. More information is available at www.paladinlabs.com.

This press release may contain forward-looking statements and predictions. These forward-looking statements, including any statements as to Afexa's acquisition by Paladin, 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, 2010. 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 fillings, annual report and Annual Information Form and other fillings found on SEDAR at www.sedar.com. The information in this announcement concerning Afexa and its assets and projects is based on publicly available information and has not been independently verified by Paladin.

