



PRESS RELEASE

Paladin Labs Confirms Enhanced \$0.81 per Share Offer to Acquire Afexa Life Sciences

- **Regulator has cease-traded Afexa Rights Plans**
- **Choice of \$0.81 in cash or 0.0217 of a Paladin share per Afexa share**
- **Offer remains for any and all Afexa shares**
- **Minimal and customary conditions**

MONTREAL, CANADA - September 26, 2011 - Paladin Labs Inc. ("Paladin" or the "Company" - TSX:PLB), a leading Canadian diversified specialty pharmaceutical company, today confirmed that it is increasing its offer to acquire any and all of the issued and outstanding common shares of Afexa Life Sciences Inc. ("Afexa" - TSX:FXA) to \$0.81 per share (the "Enhanced Offer"), following today's order from the Alberta Securities Commission ("ASC") cease-trading Afexa's two shareholder rights plans, effective 12:01 am on September 30, 2011.

Paladin is filing a Notice of Variation and Extension for the Enhanced Offer which, together with the original takeover bid circular, dated August 10, 2011, contains the details of the Enhanced Offer.

Superior offer

Based on the cash alternative of \$0.81 per share, Paladin's Enhanced Offer represents a premium of more than 14% over the existing \$0.71 per share offer for Afexa from a subsidiary of Valeant Pharmaceuticals International, Inc. ("Valeant"), an offer that has already been determined to be fair to Afexa shareholders from a financial point of view by the financial advisors to the Afexa Board of Directors. Valeant has announced it is proposing to increase its bid to \$0.85 per share, subject to Afexa agreeing to certain amendments to the support agreement between Valeant and Afexa, including a reduction in the minimum tender condition. Paladin is not aware if those amendments have been made at this time or if they will be made and the Valeant bid has not yet been formally revised or extended.

Paladin's Enhanced Offer also represents a premium of 131% over the trading price of Afexa common shares on July 14, 2011, the last trading day prior to Paladin's announcement of market purchases of Afexa shares on July 15, 2011, and a 113% premium to the volume-weighted average price of Afexa shares over the 20 trading days up to and including July 14, 2011 on the Toronto Stock Exchange ("TSX").

Choice of consideration

The Enhanced Offer entitles Afexa shareholders to elect to tender their shares for either \$0.81 per share in cash or 0.0217 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 the closing price of Paladin shares on the TSX of \$37.36 on September 23, 2011.

Minimal and customary conditions

Paladin's Enhanced Offer provides shareholders of Afexa with greater certainty of completion than the Valeant offer. It is for any and all Afexa shares not already owned by Paladin, has no minimum tender condition, and is not subject to due diligence or financing conditions. The Enhanced Offer adds a condition to the offer that no increase shall have been made to the "Termination Fee", as defined in the acquisition support agreement dated August 30, 2011 between Afexa, Valeant, and its subsidiary and, in Paladin's reasonable determination, Valeant shall not benefit from any additional "break" or termination fees under any similar agreement or arrangement with Afexa.

The remaining conditions of the Enhanced Offer are customary and minimal and are described in detail in the takeover bid circular and the Notice of Variation and Extension.

The Paladin Enhanced Offer will be open until 8:00 p.m. Toronto time on October 7, 2011.

The Enhanced Offer has a total value of \$74.5 million, assuming all shares not already owned by Paladin are tendered.

The Notice of Variation and Extension describing the Enhanced Offer will be sent to Afexa shareholders, filed on SEDAR, and will be available at www.sedar.com as well as through the Company's website, www.paladinlabs.com and 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.

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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 filings, annual report and Annual Information Form and other filings 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.