



PRESS RELEASE

Paladin Labs Advises That A Condition of Its Offer for Afexa Life Sciences Cannot Be Fulfilled

- **No Shares Will Be Taken Up**

MONTREAL, CANADA – October 3, 2011: Paladin Labs Inc. (“Paladin” or the “Company” - TSX:PLB), a leading Canadian diversified specialty pharmaceutical company, today announced it will not take up any shares under its offer (“Offer”) to acquire any and all of the issued and outstanding common shares of Afexa Life Sciences Inc. (“Afexa”) due to the non-fulfillment of a condition to the Offer.

A condition of Paladin’s revised and enhanced offer announced September 26, 2011 was 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 Pharmaceuticals International, Inc. (“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. On September 30, 2011 Afexa announced that it had agreed to increase the break fee that would be payable to Valeant in certain circumstances to \$4.5 million. As a result of this agreement, a basic condition of Paladin’s Offer cannot be met and, therefore, no Afexa shares will be taken up when the Offer expires on October 7, 2011.

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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Afexa Shareholders

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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.