Manager, Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY, NSW 2000

Tuesday, 28 February 2012

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, together with the media release, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2011.

This information should be read in conjunction with Mayne Pharma Group Limited's 2011 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully,
Mayne Pharma Group Limited

Mark Cansdale
Chief Financial Officer and Company Secretary

ANNOUNCEMENT

MAYNE PHARMA REPORTS INTERIM RESULT

28 February 2012, Melbourne Australia: Mayne Pharma Group Limited (ASX: MYX) is pleased to release the results for the half year ended 31 December 2011 with revenue of $27.1m and underlying EBITDA of $6.3m up 24.4% (reported EBITDA of $8.8m, up 73.4%) over the previous comparable period (pcp). Reported net profit after tax was $3.9m, compared to $1.1m for the pcp.

Mayne Pharma's CEO, Mr Scott Richards said "The improved result was driven by a return to more normalised ordering patterns by the Company's US marketing and distribution partner, Warner Chilcott and the operational restructure which was undertaken in 2011 to drive efficiencies and decrease operating expenses."

"We are pleased that the 150mg Doryx® product has been able to maintain marketing exclusivity in the US to date despite the attempts of several generics companies to enter the market. Doryx® revenue for the period was well up on the previous six months to 30 June 2011 but down on pcp driven by the stronger Australian Dollar. The continued strength of the Australian dollar reduced earnings by approximately $0.9m as the average US$ exchange rate settled increased 8% compared to pcp."

"Sales of other products were up 8.3% on the previous corresponding half driven by the proprietary pharmaceutical products Astrix®, Kadian® and Eryc® and contract manufacturing. The business is now debt free after repaying the last tranche in October 2011 and cash has grown over the half. "

HY12 Results

	Reported ($m)	Adjustments[1] ($m)	Underlying ($m)	Change on pcp (underlying)
Sales	**27.1**		**27.1**	**0.1%**
Gross profit	12.5		12.5	(5.2%)
EBITDA	**8.8**	**(2.5)**	**6.3**	**24.4%**
Depreciation	(0.9)		(0.9)	9.8%
EBITA	**7.9**	**(2.5)**	**5.4**	**27.2%**
Amortisation	(1.9)		(1.9)	(37.1%)
EBIT	**6.0**	**(2.5)**	**3.5**	**186.5%**
Net interest	(0.6)		(0.6)	(36.0%)
NPBT	**5.4**	**(2.5)**	**2.9**	**802.1%**
Income tax (expense)/benefit	(1.5)	0.7	(0.8)	(199.2%)
NPAT	**3.9**	**(1.8)**	**2.1**	**88.7%**
EPS (cps)	2.55	(1.14)	1.41	85.0%
Net operating cash flows (pre tax)	4.1		4.1	11.8%
Cash at bank	6.1		6.1	(54.7%)

1. Adjustments comprise $3.1m reduction in the earn-out liability following finalisation of the CY11 liability and the $0.6m termination payment to the former CEO.

Operating performance

Doryx®

Sales of Doryx®, our key proprietary product mainly sold into the US market and representing $12.6m or 46% of revenue were up 70.7% on the six months to 30 June 2011, but down 6.9% on pcp driven by the higher Australian dollar. The actual settled average rate was AUD/USD: 1.01 in the half versus AUD/USD: 0.94 in the pcp. US Doryx® volumes grew 88% on the volumes in the six months to 30 June 2011 as Warner Chilcott returned to more normalised ordering patterns.

As previously reported, there were several developments in the life cycle management of Doryx® into new dosages and formulations during the period. In September 2011, a dual-scored Doryx® 150mg tablet was approved by the US Food and Drug Administration (FDA). This formulation has replaced the single-scored Doryx® 150mg tablet in the market and now represents almost all of the total US Doryx® sales.

Astrix®

Sales of Astrix® capsules and tablets and the Mayne Pharma-branded aspirin tablets, contributed $4.6m or 17% of revenue and were up 5.6% on pcp driven by international sales. Australian sales of Astrix® were down 2.2% on pcp due to a temporary phasing of customer orders into the second half, but this was more than offset by the growth in Korean sales by our marketing partner, Boryung which were up 18.7% on pcp.

The Company also recently received marketing approval from the Therapeutic Goods Administration (TGA) for Astrix® and Mayne Pharma-branded aspirin tablets to be manufactured at Salisbury. The change in manufacture will significantly improve overhead recovery and gross margin as approximately 300 million aspirin tablets p.a. will now be manufactured at the site.

Other products

Sales revenue from the contract manufacturing of liquids and creams, representing $5.7m or 21% of sales, was up 12.8%. New product lines introduced by customers are continuing to drive this part of the business. Several new business development opportunities are currently being explored to improve the utilisation of the plant capacity in liquids and creams at the Company's Salisbury site.

Expanded marketing efforts by Abbott Inc. for Kadian® extended release morphine capsules and Pfizer for Eryc® antibiotic capsules have driven Canadian sales up 75.7% or $0.5m.

Cash flow

Net operating cash generated during the half was $4.1m. Cash on hand at 31 December 2011 was $6.1m, representing an increase of $0.3m from 30 June 2011. During the period, $2.3m in loan repayments were made to retire the US$10m loan facility in full. In order to provide the Company with cash flow flexibility, a $5m 3-year bill facility was arranged but not drawn down.

During the period, $1.7m of capital expenditure was incurred for a new itraconazole spray dryer (for the production of SUBACAP®) and other tablet manufacturing equipment

including an aspirin tablet press required for the transfer of the manufacturing of the aspirin tablets in-house.

Doryx® patent

On 9 February 2012, the Doryx® patent trial hearing was concluded in the US District Court for the District of New Jersey. The defendants in the hearing were Mylan Pharmaceuticals Inc. (Mylan) and Impax Laboratories Inc (Impax). as three other previously named defendants, Heritage Pharmaceuticals Inc. (Heritage), Actavis Elizabeth LLC and Sandoz Inc. (Sandoz) settled with Mayne Pharma and Warner Chilcott prior to the commencement of the trial.

As previously disclosed, the US FDA recently granted final approval for Mylan's single-scored 150mg generic Doryx® tablet, with a post approval requirement to comply with the new dual-scored configuration of the reference listed drug product when it conducts its next manufacturing run. However, on 8 February 2012 the US District Court issued a temporary restraining order preventing the launch of Mylan's generic product until the Court issues a decision on the case.

A decision by the US District court is expected by the end of February or early March. If Mylan is successful in the trial, or if Impax receives final approval for its generic Doryx® 150mg product from the FDA and is successful at trial or is not otherwise prohibited by the court, a generic equivalent of the Doryx 150mg product could enter the market as early as the first quarter of 2012. In the event that the Court decides in favour of Mayne Pharma and Warner Chilcott, Mylan and Impax could appeal such a decision. Unless a higher Court handed down an alternate decision on the Doryx® '161 Patent, it would be expected that the Doryx® 150mg tablet would maintain marketing exclusivity in the US until a defined date under a settlement agreement with a Paragraph IV company is reached or until the expiration of the '161 Patent in 2022. For example, the Company and Warner Chilcott have entered into settlement agreements with Heritage and Sandoz in December 2010 and January 2012 with respect to their patent litigation pursuant to which Heritage and Sandoz are each permitted to market and sell a generic equivalent of Doryx® 150mg on or after December 15, 2016, subject to certain exceptions and conditions.

SUBACAP®

Since the announcement to the market on 15 December 2011, the Company has been working with the UK Medicines and Healthcare products Regulatory Agency (MHRA) and its external consultants to respond to the questions raised following a review of the SUBACAP® dossier by the UKs Commission for Human Medicines. The Company has not yet withdrawn its Marketing Authorisation Application (MAA) and is pursuing the option to provide further information in response to the MHRAs formal letter. If a decision is taken subsequently to withdraw the MAA, it is likely the Company will be required to complete further clinical work.

A meeting with the US FDA has been scheduled to discuss the design, clinical endpoints, scope and size of a clinical trial in Onychomycosis. The Company will consider the feedback from this meeting as it clarifies its US strategy for SUBACAP®.

Dividend

The Board of Mayne Pharma has decided to preserve the company's capital and no interim dividend has been declared.

Outlook

Doryx® remains an integral part of the overall financial performance of Mayne Pharma and whilst the current forecast for Doryx® sales is up on last year, the Company is unable to provide any earnings guidance given the uncertainty surrounding the outcome of the Doryx® patent trial and timing of the potential entry of generic equivalents. The outcome of these events could have a material adverse impact on the performance of the business.

The sales of non-Doryx® products have been growing strongly since they were acquired in 2009. Going forward, the Company will be focused on diversifying its earnings stream and build on its platform through in-licensing and acquisition of products that provide greater growth opportunities.

The Directors remain confident in the resilience and sustainability of the business model with its portfolio of proprietary pharmaceutical products and drug delivery technologies that can be utilised to develop improved chemical entities or specialised generics.

-ENDS-

For further information contact:

Scott Richards (CEO)	03 8614 7705
Mark Cansdale (CFO)	03 8614 7705
Lisa Pendlebury (Investor Relations)	0419 548 434, lisa.pendlebury@maynepharma.com

Mayne Pharma Profile:

Mayne Pharma Group Limited (Mayne Pharma) is an Australian specialist pharmaceutical company with an intellectual property portfolio built around the optimisation and delivery of oral dosage form drugs.

Mayne Pharma has a long and successful history of developing and commercializing improved pharmaceuticals and has launched and marketed numerous products through partnerships with licensees in various countries around the world. Mayne Pharma focuses on delivering to patients improved versions of existing drugs in order to advance safety, efficacy or ease of administration.

A technology driven company, Mayne Pharma has a significant product portfolio and pipeline, global reach through distribution partners in Australia, USA, Europe and Asia and a manufacturing facility based in Salisbury, South Australia that employs over 150 people on a 32 acre site. The facility also undertakes the manufacture of products under contract for third parties to TGA, FDA and EU regulatory guidelines.

Mayne Pharma Group Limited (ABN 76 115 832 963)

RESULTS FOR ANNOUNCEMENT TO THE MARKET
APPENDIX 4D – HALF YEAR REPORT

	% Change	Dec 2011 $'000	Dec 2010 $'000
Revenue from ordinary activities	**-**	**27,128**	27,104
Profit from ordinary activities before income tax expense	**Up 1,566%**	**5,429**	326
Profit from ordinary activities after income tax expense	**Up 242%**	**3,881**	1,134
Net profit attributable to members	**Up 242%**	**3,881**	1,134

Net tangible assets per ordinary share	**$0.144**	$0.088

	2011 Cents	2010 Cents
Basic earnings per share	**2.55**	0.76
Diluted earnings per share	**2.51**	0.75
Final dividend in respect of the financial year ended 30 June per share	**nil**	2.0
Special dividend in respect of the period ended 31 December per share	**nil**	1.0

All dividends are fully franked at the corporate income tax rate (2011: 30%; 2010: 30%)

No dividend has been declared in relation to the period ended 31 December 2011.

Refer to the Directors' Report and the accompanying ASX announcement dated 28 February 2012 for a brief commentary on the results.

MAYNE PHARMA GROUP LIMITED

ABN 76 115 832 963

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2011

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Mr Bruce Mathieson Mr Ian Scholes
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:	Level 9 470 Collins Street Melbourne VIC 3000 Telephone: (03) 8614 7777 Facsimile: (03) 9614 7022
AUDITORS:	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
SOLICITORS:	Minter Ellison Lawyers Rialto Towers Level 23 525 Collins Street Melbourne VIC 3000
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: (03) 9415 5000 Facsimile: (03) 9473 2500
BANKERS:	National Australia Bank Limited Level 2 151 Rathdowne Street Carlton VIC 3053
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2011.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Roger Corbett, AO, Chairman
Dr Roger Aston, CEO (resigned 15 February 2012)
Mr Scott Richards, CEO (appointed 13 February 2012)
The Hon Ron Best
Mr Bruce Mathieson
Mr Ian Scholes

RESULTS AND REVIEW OF OPERATIONS

The consolidated entity's net profit attributable to members of the Company for the half-year ended 31 December 2011 was $3,881,000 (half-year ended 31 December 2010: $1,134,000).

Operating performance

Operating segment – MPI

The operating profit after tax was $4,445,000 (31 December 2010: $2,690,000) driven by the factors outlined below.

Doryx®

Sales of Doryx®, our key proprietary product mainly sold into the US market and representing $12.6m or 46% of revenue were up 70.7% on the six months to 30 June 2011, but down 6.9% on the prior comparable period driven by the higher Australian dollar. The actual settled average rate was AUD/USD: 1.01 in the half versus AUD/USD: 0.94 in the prior comparable period. US Doryx® volumes grew 88% on the volumes in the six months to 30 June 2011 (up 2% on pcp) as Warner Chilcott returned to more normalised ordering patterns.

There were several developments in the life cycle management of Doryx® into new dosages and formulations during the period. In September 2011, a dual-scored Doryx® 150mg tablet was approved by the US Food and Drug Administration (FDA). This formulation has replaced the single-scored Doryx® 150mg tablet in the market and now represents almost all of the total US Doryx® sales.

Astrix®

Sales of Astrix® capsules and tablets and the Mayne Pharma-branded aspirin tablets, contributed $4.6m or 17% of revenue and were up 5.6% on the prior comparable period. Australian sales of Astrix® were down 2.2% on pcp due to a temporary phasing of customer orders into the second half, but this was more than offset by the growth in Korean sales by our marketing partner, Boryung which were up 18.7% on pcp.

The Company also recently received marketing approval from the Therapeutic Goods Administration (TGA) for Astrix® and Mayne Pharma-branded aspirin tablets to be manufactured at Salisbury. The change in manufacture will significantly improve overhead recovery and gross margin as approximately 300 million aspirin tablets p.a. will now be manufactured at the site.

Other products

Sales revenue from the contract manufacturing of liquids and creams, representing $5.7m or 21% of sales, was up 12.8%. New product lines introduced by customers are continuing to drive this part of the business. Several new business development opportunities are currently being explored to improve the utilisation of the plant capacity in liquids and creams at the Company's Salisbury site.

Expanded marketing efforts by Abbott Inc. for Kadian® extended-release morphine capsules and Pfizer for Eryc® antibiotic capsules have driven Canadian sales up 75.7% or $468,000.

Change in earn-out liability

The reported result includes an income item of $3,127,000 representing the gross change in the fair value of the earn-out liability due to the finalisation of the current liability to the previous owner of Mayne Pharma International Pty Ltd. The adjusted liability of $2,881,000 was settled in February 2012 in accordance with terms of the Share Sale Agreement. Further information can be found in notes 3 and 6 to the Financial Report and the accompanying ASX announcement and Results Presentation to investors.

Cash flow

Net operating cash generated by the Group during the half was $4.1m. Cash on hand at 31 December 2011 was $6.1m, representing an increase of $0.3m from 30 June 2011. During the period, $2.3m in loan repayments were made to retire the US$10m loan facility in full.

During the period, $1.7m of capital expenditure was incurred for a new itraconazole spray dryer (for the production of SUBACAP®) and other tablet manufacturing equipment including an aspirin tablet press required for the transfer of the manufacturing of the aspirin tablets in-house.

Dividend

The Directors have not declared an interim dividend in relation to the period ended 31 December 2011.

Doryx® patent dispute

On 9 February 2012, the Doryx® patent trial hearing was concluded in the US District Court for the District of New Jersey. The defendants in the hearing were Mylan Pharmaceuticals Inc. (Mylan) and Impax Laboratories Inc (Impax). as three other previously named defendants, Heritage Pharmaceuticals Inc. (Heritage), Actavis Elizabeth LLC and Sandoz Inc. (Sandoz) settled with Mayne Pharma and Warner Chilcott prior to the commencement of the trial.

As previously disclosed, the US FDA recently granted final approval for Mylan's single-scored 150mg generic Doryx® tablet, with a post approval requirement to comply with the new dual-scored configuration of the reference listed drug product when it conducts its next manufacturing run. However, on 8 February 2012 the US District Court issued a temporary restraining order preventing the launch of Mylan's generic product until the Court issues a decision on the case.

A decision by the US District court is expected by the end of February or early March. If Mylan is successful in the trial, or if Impax receives final approval for its generic Doryx® 150mg product from the FDA and is successful at trial or is not otherwise prohibited by the court, a generic equivalent of the Doryx 150mg product could enter the market as early as the first quarter of 2012. In the event that the Court decides in favour of Mayne Pharma and Warner Chilcott, Mylan and Impax could appeal such a decision. Unless a higher Court handed down an alternate decision on the Doryx® '161 Patent, it would be expected that the Doryx® 150mg tablet would maintain marketing exclusivity in the US until a defined date under a settlement agreement with a Paragraph IV company is reached or until the expiration of the '161 Patent in 2022. For example,

the Company and Warner Chilcott have entered into settlement agreements with Heritage and Sandoz in December 2010 and January 2012 with respect to their patent litigation pursuant to which Heritage and Sandoz are each permitted to market and sell a generic equivalent of Doryx® 150mg on or after December 15, 2016, subject to certain exceptions and conditions.

Due to the uncertainty of the above, the possible financial effects of the decision have not been recognised as at the date of this report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the Financial Report.

Dated at Melbourne, this 28th day of February 2012.

Signed in accordance with a resolution of the Directors.

Scott Richards
Director

AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration to the Directors of Mayne Pharma Group Limited

In relation to our review of the financial report of Mayne Pharma Group Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ashley Butler
Partner
Melbourne
28 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011 $'000	31 December 2010 [1] $'000
Sale of goods		25,950	25,133
Royalties revenue		845	670
Other revenue		333	1,301
Revenue		27,128	27,104
Cost of sales		(14,596)	(13,884)
Gross profit		12,532	13,220
Research and development expenses		(2,109)	(3,563)
Distribution expenses		(283)	(332)
Marketing expenses		(234)	(398)
Share-based payments		(173)	-
Amortisation expense		(1,918)	(3,047)
Administrative expenses		(4,104)	(3,682)
Finance costs		(27)	(256)
Redundancy costs	3	(638)	-
Other expenses		(131)	(764)
Fair value movement in earn-out liability	3,6	2,514	(852)
Profit before income tax		5,429	326
Income tax (expense)/benefit	4	(1,548)	808
Net profit for the period		3,881	1,134
Other comprehensive income		-	-
Total comprehensive income for the period		3,881	1,134

1. The comparative figures for cost of sales, R&D, marketing and administrative expenses have been adjusted to reflect current presentation.

Earnings per share for profit attributable to the ordinary equity holders of the parent:		
Basic earnings per share	2.55 cents	0.76 cents
Diluted earnings per share	2.51 cents	0.75 cents

This consolidated statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31 December 2011 $'000	30 June 2011 $'000
Current assets			
Cash and cash equivalents	5	6,076	5,807
Trade and other receivables		7,969	5,697
Inventories		6,775	6,423
Income tax receivable		926	630
Other current assets		779	281
Total current assets		22,525	18,838
Non-current assets			
Property, plant and equipment		22,238	21,457
Deferred tax assets		4,359	5,199
Intangible assets and goodwill		6,279	8,183
Total non-current assets		32,876	34,839
Total assets		55,401	53,677
Current liabilities			
Trade and other payables		4,855	3,848
Interest-bearing loans and borrowings		-	2,339
Income tax payable		968	-
Other financial liabilities	6	2,881	5,837
Provisions		3,446	2,915
Total current liabilities		12,150	14,939
Non-current liabilities			
Other financial liabilities	6	9,667	9,283
Deferred tax liabilities		4,513	4,478
Provisions		843	803
Total non-current liabilities		15,023	14,564
Total liabilities		27,173	29,503
Net assets		28,228	24,174
Equity			
Contributed equity	7	32,016	31,870
Share-based payment reserve		987	960
Accumulated losses		(4,775)	(8,656)
Total equity		28,228	24,174

This consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Contributed equity	Share-based payment reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2011	31,870	960	(8,656)	24,174
Profit for the period	-	-	3,881	3,881
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	3,881	3,881
Transactions with owners in capacity as owners				
Shares issued	146	-	-	146
Share based payments	-	27	-	27
Balance at 31 December 2011	32,016	987	(4,775)	28,228
Balance at 1 July 2010	29,649	1,714	(5,814)	25,549
Profit for the period	-	-	1,134	1,134
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,134	1,134
Transactions with owners in capacity as owners				
Shares issued	792	-	-	792
Transfer for share options exercised	442	(442)	-	-
Dividends paid	-	-	(3,005)	(3,005)
Balance at 31 December 2010	30,883	1,272	(7,685)	24,470

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011 $'000	31 December 2010 $'000
Cash flows from operating activities			
Receipts from customers		25,411	27,080
Payments for research and development expenditure		(2,038)	(3,778)
Payments to suppliers and employees		(19,293)	(19,614)
Interest received		63	206
Interest paid		(7)	(194)
Tax paid		-	(2,917)
Net cash flows from operating activities		4,136	783
Cash flows from investing activities			
Purchase of plant and equipment		(1,667)	(1,035)
Purchase of intangible assets		-	(41)
Net cash flows used in investing activities		(1,667)	(1,076)
Cash flows from financing activities			
Proceeds from issue of shares		-	792
Repayment of borrowings		(2,315)	(2,658)
Equity dividends paid		-	(3,005)
Net cash flows used in financing activities		(2,315)	(4,871)
Net increase/(decrease) in cash and cash equivalents		154	(5,164)
Cash and cash equivalents at beginning of period		5,807	19,709
Effect of foreign exchange changes on cash held in foreign currencies		115	(1,145)
Cash and cash equivalents at end of period		6,076	13,400

This consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

From 1 July 2011 the Group has adopted the relevant standards and interpretations, mandatory for annual reports beginning on or after 1 July 2011. Adoption of the standards and interpretations did not have any effect on the financial position or performance of the Group.

New accounting standards and interpretations

All standards and interpretations applicable have been adopted from 1st July 2011 but have had no material impact.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont)

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half-year ended 31 December 2011 are outlined below:

AASB 9 - Financial Instruments

Application date of standard:	1 January 2013
Application date for Group:	1 July 2013
Impact on financial report:	The Group has yet to fully assess the impact of the changes but expects them to have minimal impact.

Summary
AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below:

(a) Financial assets are classified based on (i) the objective of the entity's business model for managing the financial assets; (ii) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.
(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
    - The changes attributable to changes in credit risk are presented in other comprehensive income (OCI).
    - The remaining change is presented in profit or loss.

    If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss

Consequential amendments were also made to other standards as a result of AASB introduced by AASB 2009-11.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont)

Accounting Standards and Interpretations issued but not yet effective (cont)

AASB 2009-1 - Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]

Application date of standard: 1 January 2013
Application date for Group: 1 July 2013
Impact on financial report: The Group has yet to fully assess the impact of the changes.

Summary

These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

AASB 2010-6 - Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

Application date of standard: 1 July 2011
Application date for Group: 1 January 2012
Impact on financial report: The Group expects the changes to have no impact on the results for the Group.

Summary

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

AASB 2011-9 - *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]*

Application date of standard: 1 July 2011
Application date for Group: 1 January 2012
Impact on financial report: The Group expects the changes to have no impact on the results for the Group.

Summary

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

AASB 2011-4 - *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*

Application date of standard: 1 July 2012
Application date for Group: 1 July 2012
Impact on financial report: The Group has yet to fully assess the impact of the changes.

Summary

This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.

2. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the individual entity in the Group operates. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

The consolidated entity operates in two operating segments, being Mayne Pharma International Pty Ltd (MPI) and Mayne Pharma Group Limited (MPG). The main geographical locations are Australia, the United States and Korea. The MPI segment provides optimisation, manufacture and delivery of oral dosage form drugs and has a long and successful history in developing and commercialising improved pharmaceuticals.

The MPG segment's main activity, in addition to the provision of corporate activities, is the development and commercialisation of a new product, SUBA® – Itraconazole.

The segment revenue, profit before tax and net profit after tax are consistent with the IFRS measures.

The consolidated entity reports the following information on the operations of its identified segments with the net profit for the period being the measure of profit reported to the chief operating decision maker:

	MPI	**MPG**	**Total consolidated**
	$'000	**$'000**	**$'000**
Half-year ended 31 December 2011			
Sale of goods	25,950	-	25,950
Other revenue	1,175	4	1,179
Revenue	27,125	4	27,129
Cost of sales	(14,596)	-	(14,596)
Gross profit	12,529	4	12,533
Other income	(141)	10	(131)
Amortisation of intangible assets	(1,904)	-	(1,904)
Fair value movement in earn-out liability	-	2,514	2,514
Other expenses	(4,190)	(3,393)	(7,583)
Profit/(loss) before income tax	6,294	(865)	5,429
Income tax (expense)/benefit	(1,849)	301	(1,548)
Net profit for the period	4,445	(564)	3,881
Assets	54,361	1,040	55,401
Liabilities	12,661	14,512	27,173

2. SEGMENT REPORTING (cont)

	MPI $'000	MPG $'000	Total consolidated $'000
Half-year ended 31 December 2010			
Sale of goods	25,133	-	25,133
Other revenue	1,971	-	1,971
Revenue	27,104	-	27,104
Cost of sales	(13,884)	-	(13,884)
Gross profit	13,220	-	13,220
Other income	(1,728)	964	(764)
Amortisation of intangible assets	(3,042)	-	(3,042)
Fair value movement in earn-out liability	-	(852)	(852)
Other expenses	(5,330)	(2,906)	(8,236)
Profit/(loss) before income tax	3,120	(2,794)	326
Income tax (expense)/benefit	(430)	1,238	808
Net profit/(loss) for the period	2,690	(1,556)	1,134
Assets	62,601	1,158	63,759
Liabilities	12,625	26,664	39,289

Geographical segment information

Revenues from external customers	31 December 2011 $'000	31 December 2010 $'000
Australia	11,565	10,892
United States	11,301	13,153
Korea	1,945	1,638
Other	2,317	1,421
Total external revenue	27,128	27,104

3. EXPENSES

	31 December 2011 $'000	31 December 2010 $'000
Finance costs		
Interest expense	7	161
Amortisation of borrowings costs	20	95
	27	256
Depreciation[(1)]	887	808
Employee benefits expense		
Wages and salaries	5,490	5,621
Defined contribution superannuation expense	531	581
Other employee benefits expense	1,630	1,602
Total employee benefits expense	7,651	7,804
Other expenses		
Gain on forward exchange contracts	(32)	-
Net loss on foreign exchange	163	764
	131	764
Fair value movement in earn-out liability		
Movement in undiscounted fair value of earn-out liability	(3,127)	-
Change in fair value attributable to the unwinding of the discounting of the earn-out liability.	613	852
	(2,514)	852

Redundancy payment

The redundancy payment of $638,000 relates to the termination payment to the outgoing CEO.

(1) Depreciation expense is included in R&D expenses and cost of sales

4. INCOME TAX

A. The major components of income tax (expense)/benefit are:

	31 December 2011 $'000	31 December 2010 $'000
Current income tax		
Current income tax	(866)	(272)
Adjustment in respect of current income tax of previous years	192	-
Deferred income tax		
Relating to movement in net tax deferred tax assets	(1,406)	564
Restatement of deferred tax balances upon entry to a tax consolidated group	532	516
Income tax benefit/(expense) in the consolidated statement of comprehensive income	(1,548)	808

B. Numerical reconciliation between aggregate tax (expense)/benefit recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	31 December 2011 $'000	31 December 2010 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit before income tax	5,429	326
Prima facie tax expense at 30%	(1,629)	(98)
Effect of R&D concession[(1)]	110	523
Adjustment relating to earn-out liability	(751)	(255)
Overprovision in respect of prior years	192	-
Tax effect of previous losses utilised	-	122
Non deductible entertainment	(2)	-
Restatement of deferred tax balances upon entry into tax consolidation	532	516
Income tax (expense)/benefit	(1,548)	808

(1) Of the $523k for 2010, $370k related to the 2009 tax year

4. INCOME TAX (cont)

C. Tax consolidation

Mayne Pharma Group Limited and its 100%-owned Australian resident subsidiaries formed an income tax consolidated group with effect from 31 October 2009. Mayne Pharma Group Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

5. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2011 $'000	30 June 2011 $'000
Cash at bank and in hand	6,015	5,713
Short-term bank deposits	61	94
	6,076	5,807

6. OTHER FINANCIAL LIABILITIES

	31 December 2011 $'000	30 June 2011 $'000
Current		
Earn-out liability	2,881	5,779
Foreign exchange contract liability	-	58
	2,881	5,837
Non-current		
Earn-out liability	9,667	9,283

The consolidated entity has recognised a total of $12,548,000 in relation to the earn-out liability incurred as part consideration on the acquisition of Mayne Pharma International Pty Ltd on 30 October 2009. The amount payable to Hospira amounts to a maximum $41,600,000 payable over a six-year period. The earn-out payment is based on the level of gross revenue recognised by Mayne Pharma International Pty Ltd in relation to products existing at the time of the acquisition greater than $40,000,000 in a calendar year period and capped at $65,000,000 in a calendar year period, with a maximum $7,800,000 payable in the first two years to 31 December 2011 and $6,500,000 for each of the subsequent four years.

The value of the earn-out has been determined in relation to expected future cash flows required to be paid on the earn-out utilising a discount rate of 8% and an assumed foreign exchange rate of US$1:A$1.00 for the balance of the earn-out period.

6. OTHER FINANCIAL LIABILITIES (Cont)

The earn-out liability represents the net present value of estimated future payments. The changes in fair value for changes in the net present value of estimated future payments are recognised in the statement of comprehensive income. The earn-out liability at balance date includes an unwind of discounting of the earn-out liability of $613,000 (31/12/10: $852,000) for the period representing the change in fair value as a result of the unwinding of the discounting.

7. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2011 $'000	30 June 2011 $'000
Ordinary shares, fully paid	32,016	31,870

(b) Movements in share capital

	31 December 2011 Number	$'000
Balance at beginning of period	151,778,700	31,870
Shares issued [1]	374,344	146
Balance at end of period	152,153,044	32,016

[1] The total of these shares were issued for zero consideration to employees.

8. DIVIDENDS

The Board has decided to preserve the Company's capital and no interim dividend has been declared.

	31 December 2011 $'000	31 December 2010 $'000
Declared and paid during the period		
Dividends on ordinary shares		
Final fully franked dividend for 2011: nil cents (2010: 2.0)	-	(3,005)

9. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as noted below, there have been no events subsequent to the balance date.

Issue of options

On 27 January 2012, Shareholders approved the issue of up to 7,500,000 options over ordinary shares to the newly appointed Chief Executive Officer. The exercise price of these options was set at $0.345, being the closing price on that day.

9. EVENTS SUBSEQUENT TO BALANCE DATE (cont)

Establishment of financing facility

Since the end of the period, the Company executed documentation for a $5m, three-year Bill Facility with its banker. This facility is secured over the assets of the Group. The facility has not been drawn down.

Doryx® patent hearing

On 9 February 2012, the Doryx® patent trial hearing was concluded in the US District Court for the District of New Jersey. The defendants in the hearing were Mylan Pharmaceuticals Inc. (Mylan) and Impax Laboratories Inc (Impax). as three other previously named defendants, Heritage Pharmaceuticals Inc. (Heritage), Actavis Elizabeth LLC and Sandoz Inc. (Sandoz) settled with Mayne Pharma and Warner Chilcott prior to the commencement of the trial.

As previously disclosed, the US FDA recently granted final approval for Mylan's single-scored 150mg generic Doryx® tablet, with a post approval requirement to comply with the new dual-scored configuration of the reference listed drug product when it conducts its next manufacturing run. However, on 8 February 2012 the US District Court issued a temporary restraining order preventing the launch of Mylan's generic product until the Court issues a decision on the case.

A decision by the US District court is expected by the end of February or early March. If Mylan is successful in the trial, or if Impax receives final approval for its generic Doryx® 150mg product from the FDA and is successful at trial or is not otherwise prohibited by the court, a generic equivalent of the Doryx 150mg product could enter the market as early as the first quarter of 2012. In the event that the Court decides in favour of Mayne Pharma and Warner Chilcott, Mylan and Impax could appeal such a decision. Unless a higher Court handed down an alternate decision on the Doryx® '161 Patent, it would be expected that the Doryx® 150mg tablet would maintain marketing exclusivity in the US until a defined date under a settlement agreement with a Paragraph IV company is reached or until the expiration of the '161 Patent in 2022. For example, the Company and Warner Chilcott have entered into settlement agreements with Heritage and Sandoz in December 2010 and January 2012 with respect to their patent litigation pursuant to which Heritage and Sandoz are each permitted to market and sell a generic equivalent of Doryx® 150mg on or after December 15, 2016, subject to certain exceptions and conditions.

Due to the uncertainty of the above, the possible financial effects of the decision have not been recognised as at the date of this report.

10. COMMITMENTS AND CONTINGENCIES

There were no material changes in commitments and contingencies. No contingencies were present as at balance date.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mayne Pharma Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Scott Richards
Director

Melbourne, 28 February 2012

AUDITOR'S INDEPENDENT REVIEW REPORT

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Independent review report to members of Mayne Pharma Group Limited

To the members of Mayne Pharma Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mayne Pharma Group Limited (the company), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act* 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 11 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Mayne Pharma Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

AUDITOR'S INDEPENDENT REVIEW REPORT

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mayne Pharma Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ashley Butler
Partner
Melbourne
28 February 2012