



MAYNE PHARMA ANNOUNCES THE ACQUISITION OF METRICS, INC.

- Mayne Pharma to acquire Metrics, Inc. for US\$105m plus up to US\$15m in earn-out payments
 - A transformational acquisition that materially enhances Mayne Pharma's scale, market access and capabilities
 - Opportunity for material synergies in the medium term from cross-selling and accelerating the development pipeline
 - Metrics' sales and EBITDA¹ of US\$51.6m and US\$16.1m respectively for the 12 months ended 30 June 2012
 - Mayne Pharma will fund the acquisition via a new US\$48.5m² debt facility (with an additional uncommitted US\$15m accordion facility) and a A\$65m equity raising
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4 October 2012, Melbourne Australia: Mayne Pharma Group Limited (Mayne Pharma; ASX: MYX) is pleased to announce that it has entered into a binding agreement to acquire Metrics, Inc. (Metrics), a privately-owned, US-based provider of contract development services to the pharma industry that also develops and manufactures niche generic pharmaceuticals.

Consideration for the acquisition will comprise an upfront payment of US\$105m plus further payments of up to US\$15m based on FY13 performance (12 months ended 30 June 2013). The first payment, capped at US\$10m, is calculated as 6.0x the incremental earnings before interest, tax, depreciation and amortisation ("EBITDA") for FY13 and the second payment is calculated as 2.0x the EBITDA in excess of US\$19.8m for FY13, capped at US\$5m.

The upfront acquisition payment represents a multiple of 6.5x³ the EBITDA generated by Metrics in the twelve months ended 30 June 2012. The full acquisition price of US\$120.0 million will be payable if Metrics achieves FY13 EBITDA of US\$22.3 million, representing an acquisition multiple of 5.4x FY13 EBITDA.

The acquisition will be funded by US\$44.5m of acquisition debt funding⁴ and the proceeds of a A\$65m equity raising (the "Offer"), comprising:

¹ Metrics sales and EBITDA for FY12 are unaudited and adjusted for the restatement of capitalised lease expense and a proportion of R&D has been capitalised in accordance with the Mayne Pharma accounting policy. Refer to "Acquisition of Metrics Inc." presentation for further detail.

² Comprises US\$44.5 million acquisition facility and US\$4.0 million working capital facility. A detailed commitment letter subject to customary conditions has been executed, with full documentation currently in progress.

³ Based on the purchase price of US\$105m and FY12 EBITDA of US\$16.1m.

⁴ A detailed commitment letter subject to customary conditions has been executed, with full documentation currently in progress.

- an underwritten 1-for-1 pro-rata accelerated non-renounceable entitlement offer⁵ (the "Entitlement Offer") to raise A\$30.4m;
- an underwritten unconditional placement to institutional investors to raise A\$9.1m (the "Unconditional Placement");
- an underwritten conditional placement to institutional investors to raise A\$19.0m (the "Conditional Institutional Placement"); and
- conditional placements to:
 - certain Metrics shareholders to raise a minimum of A\$2.6m⁶ and up to A\$3.1m⁶ (the "Metrics Placement");
 - Bruce Mathieson and related investment entities to raise A\$3.0m (the "Mathieson Placement");
 - Roger Corbett AO, Chairman of Mayne Pharma, to raise A\$0.3m (the "Corbett Placement"); and
 - Scott Richards, CEO of Mayne Pharma, to raise A\$0.5m (the "Richards Placement").

Under the Entitlement Offer all eligible Mayne Pharma shareholders are entitled to subscribe for:

- (i) up to their 1-for-1 entitlement; and
- (ii) additional new shares through the Top Up Offer, with such over-subscriptions to be satisfied out of shortfall shares, subject to Board discretion and potential scaleback.

To the extent that existing eligible retail shareholders apply for an amount of additional new shares in the Top Up Offer of up to an additional 1.13 times their entitlement (the "Pro Rata Participation Amount") and have such application scaled back, the Mayne Pharma Board will seek to implement a subsequent offer to such shareholders to enable them to subscribe for their full Pro Rata Participation Amount (the "Additional Retail Offer") at the same offer price as shares offered under the equity raising. The maximum size of any Additional Retail Offer is approximately A\$22.5m, and the conduct of any such offer is subject to obtaining any necessary shareholder and regulatory approvals.

All Mayne Pharma Directors have committed to take up their entitlements under the Entitlement Offer in full. In addition, Bruce Mathieson and related investment entities have committed to take up the Mathieson Placement, Roger Corbett AO has committed to take up the Corbett Placement, and Scott Richards has committed to take up the Richards Placement.

All shares offered under the equity raising will be offered at a price of A\$0.20 per new share ("Offer Price"), representing a 20.3% discount to the theoretical ex-raising price ("TERP", including all the placement components and excluding any Additional Retail Offer) based on the closing price of Mayne Pharma's shares on 3 October 2012.⁷

The Entitlement Offer⁵, Unconditional Placement and Conditional Institutional Placement are underwritten by Credit Suisse (Australia) Limited and UBS AG, Australia Branch.

⁵ The underwriting obligations do not extend to Bruce Mathieson's (and related investment entities) entitlement shares.

⁶ The Metrics placement is denominated in US dollars. The amounts shown above represent the A\$ equivalent based on a AUD:USD rate of 1.03.

⁷ TERP is the theoretical price at which shares in MYX should trade immediately after the ex-date of the Entitlement Offer, but this will depend on many factors and may not be equal to TERP. Includes impact of shares issued under all the placement components, and excluding any Additional Retail Offer.

Settlement of each of the conditional placements is subject to Mayne Pharma shareholder approval of that conditional placement by ordinary resolutions at Mayne Pharma's Annual General Meeting to be held on 9 November 2012.

Further detail on the Offer is included in Appendix A and the "Acquisition of Metrics, Inc." presentation released to the ASX today.

Completion of the acquisition remains subject to material conditions, including finalisation of the funding arrangements (debt and equity) by Mayne Pharma and there being no material adverse event in relation to Metrics. Completion is also subject to Metrics shareholder approval however executed voting agreements have now been obtained from a sufficient number of Metrics shareholders to approve the transaction.

Overview of Metrics

Metrics is a privately-owned specialty pharmaceutical company based in Greenville, North Carolina with approximately 300 employees. Metrics develops and manufactures niche generic drugs and is also a provider of contract development services to the pharma industry.

Metrics has particular expertise in formulating complex oral drug products, including highly potent and unstable compounds, controlled substances (e.g. opiates) and products with poor bioequivalence. These products are sold in the US via exclusive distribution partners or directly through its own wholesale distributor, Midlothian Laboratories. In addition to its existing products, Metrics has a pipeline of 11 niche generic drugs in various stages of development, including two that have been filed with the US Food and Drug Administration (FDA) and a further nine products to be filed by the end of FY13.

Metrics is also a leading provider of contract pharmaceutical development services with a client base of more than 100 pharmaceutical customers including industry leading, blue chip companies. Metrics has a vertically integrated model offering analytical services, formulation and commercial manufacturing.

More detailed information on Metrics is included in the "Acquisition of Metrics, Inc." presentation released to the ASX today.

Rationale for the acquisition

Mayne Pharma's CEO, Mr Scott Richards said "Metrics is highly complementary to Mayne Pharma's existing business in term of its products, services and the markets in which it operates. In addition to providing scale in the US market, Metrics brings additional technical capabilities and material upside from cross-selling revenue opportunities. We have known Metrics' senior management team for some time and they have a solid track record of success in the US generics industry."

Key benefits of the acquisition include:

- it provides direct access to the world's largest pharmaceutical market, the US, which is Mayne Pharma's principal market for its development pipeline;
- it strengthens and diversifies Mayne Pharma's revenue streams across contract services, generic and proprietary products;

- it expands and diversifies Mayne Pharma's pipeline of new products. The combined business has 14 products in development targeting markets with sales of US\$3.6 billion per annum; and
- it is a complementary business providing significant combination opportunities through the cross-selling of Mayne Pharma's and Metrics' approved and pipeline products in the US, Australia and other international markets.

Financial impact and outlook

The table below details the FY13 guidance⁸ for Mayne Pharma, inclusive of 7.5 months' financial contribution from Metrics⁹.

(A\$m)	1H FY13	2H FY13	FY13
Revenue	25.0 – 30.0	44.0 - 52.0	69.0 – 82.0
EBITDA	4.2 – 5.2	11.9 – 13.5	16.1 – 18.7
NPAT	0.7 – 1.0	3.6 – 4.2	4.3 – 5.2
Adjusted NPAT ¹⁰	2.0 – 2.7	6.1 – 7.1	8.1 – 9.8

Further information

Shareholders are advised to refer to the "Acquisition of Metrics, Inc." presentation released to the ASX today for further detail of the acquisition and the Offer.

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⁸ Refer to the "Acquisition of Metrics, Inc." presentation released to ASX this morning regarding details and assumptions relating to the FY13 guidance

⁹ USD:AUD FX rate of 1.03 applied to USD cash flows, excludes transaction costs and forecast R&D investment has been treated in accordance with the Mayne Pharma accounting policy

¹⁰ Excludes non-cash amortisation of intangibles recognised on acquisition of Metrics and Mayne Pharma Intl notional interest on earn-out to Hospira and non-cash LTI charge for proposed Metrics Senior Mgmt option plan

Appendix A – The Offer

The A\$65m equity raising comprises:

- An underwritten 1-for-1 pro-rata accelerated non-renounceable entitlement offer to raise A\$30.4m¹¹;
- An underwritten unconditional placement to institutional investors to raise A\$9.1m;
- An underwritten conditional placement to institutional investors to raise A\$19.0m;
- Conditional placements to
 - certain Metrics shareholders, to raise a minimum of A\$2.6m and up to A\$3.1m;
 - Bruce Mathieson and related investment entities, to raise A\$3.0m;
 - Roger Corbett AO, Chairman of Mayne Pharma to raise A\$0.3m; and
 - Scott Richards, CEO of Mayne Pharma, to raise A\$0.5m.

The Entitlement Offer¹², Unconditional Placement and Conditional Institutional Placement are underwritten by Credit Suisse (Australia) Limited and UBS AG, Australia Branch. Subscription or commitment agreements have been entered into in relation to each of the Metrics Placement (minimum amount), Mathieson Placement, Corbett Placement and Richards Placement.

Bruce Mathieson has agreed to sub-underwrite A\$5.4m of the retail component of the Entitlement Offer on customary terms and for a fee of 1.5% of the sub-underwritten amount (consistent with the fee payable to institutional sub-underwriters). Bruce Mathieson's obligations to sub-underwrite will cease if the Underwriting Agreement is terminated. Depending on the amount of new shares allotted to Bruce Mathieson under the sub-underwriting agreement (if any), he and related investment entities will have a post raising¹² shareholding of between 8.8% and 14.5%.

The Offer Price of A\$0.20 per New Share represents a 20.3% discount to the theoretical ex-raising price ("TERP", including all the placement components and excluding any Additional Retail Offer) based on the closing price of Mayne Pharma's shares on 3 October 2012.

Each new share issued under the Offer will rank equally with existing Mayne Pharma shares in all respects.

Summary of Key Dates¹³

Institutional Entitlement Offer opens	Thursday, 4 October 2012
Institutional Entitlement Offer, Unconditional Placement and Conditional Institutional Placement bookbuild	Friday, 5 October 2012
MYX shares recommence trading	Monday, 8 October 2012
Notice of meeting dispatched to Shareholders	Tuesday, 9 October 2012
Entitlement Offer Record Date (7pm Melbourne time)	Wednesday, 10 October 2012
Retail Offer Document and application and entitlement forms dispatched to Eligible Retail Shareholders	Friday, 12 October 2012
Retail Entitlement Offer opens	Friday, 12 October 2012
Settlement of the Institutional Entitlement Offer and Unconditional Placement	Tuesday, 16 October 2012
Allotment and commencement of trading of New Shares issued under the Institutional Entitlement Offer and Unconditional Placement	Wednesday, 17 October 2012
Retail Entitlement Offer closes (5pm Melbourne time)	Monday, 29 October 2012
Settlement of the Retail Entitlement Offer	Monday, 5 November 2012
Allotment of New Shares issued under the Retail Entitlement Offer	Wednesday, 7 November 2012
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 8 November 2012

¹¹ The underwriting obligations do not extend to Bruce Mathieson's (and related investment entities) entitlement shares

¹² Based on the A\$65.0m equity raising, and excluding any Additional Retail Offer.

¹³ These dates are indicative only and subject to change. All times and dates refer to Melbourne, Australia time. Mayne Pharma reserves the right to amend the timetable, including, in consultation with the Joint Underwriters, to extend the closing date for the Retail Entitlement Offer, to withdraw the Entitlement Offer at any time prior to the issue of New Shares and/or to accept late applications either generally or in specific cases.

Annual General Meeting of Shareholders to approve the Conditional Institutional Placement and Metrics Placement, Mathieson Placement, Corbett Placement and Richards Placement	Friday, 9 November 2012
Settlement of the Conditional Institutional Placement, Mathieson Placement, Corbett Placement and Richards Placement	Monday, 12 November 2012
Allotment and commencement of trading of New Shares issued under the Conditional Institutional Placement, Mathieson Placement, Corbett Placement and Richards Placement	Tuesday, 13 November 2012
Completion of the Metrics acquisition, and settlement, allotment and commencement of trading of New Shares issued under the Metrics Placement	Mid November 2012
Additional Retail Offer (if required)	Late November – December 2012

Entitlement Offer

Eligible shareholders are invited to subscribe for up to 1 new Mayne Pharma ordinary shares (the "New Shares") for every 1 existing Mayne Pharma ordinary shares held as at 7pm (Melbourne time) on 10 October 2012 ("Record Date"), at an Offer Price of A\$0.20 per New Share.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable on the ASX or be otherwise transferable. Shareholders who do not take up their full entitlement will not receive any payment or value in respect of entitlements they do not take up and their percentage equity interest in Mayne Pharma will be diluted.

The Entitlement Offer comprises an institutional component (the "Institutional Entitlement Offer") and a retail component (the "Retail Entitlement Offer").

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer. The Institutional Entitlement Offer will open today, 4 October 2012.

Eligible institutional shareholders can choose to take up their entitlement in whole, in part or not at all. In addition, under the Institutional Entitlement Offer, New Shares equal in number to those attributable to entitlements not taken up by eligible institutional shareholders, together with New Shares attributable to entitlements which would otherwise have been offered to institutional shareholders in ineligible jurisdictions will be offered to institutional shareholders through a bookbuild at the Offer Price of A\$0.20 per New Share.

Retail Entitlement Offer

Mayne Pharma retail shareholders registered as a shareholder in Australia or New Zealand on the Record Date ("Eligible Retail Shareholders") will be entitled to participate in the Retail Entitlement Offer on the terms and subject to conditions set out in the booklet sent to Eligible Retail Shareholders in relation to the Retail Entitlement Offer ("Retail Offer Document". The Retail Entitlement Offer will open on 12 October 2012 and close at 5.00 pm (Melbourne time) on 29 October 2012.

Eligible Retail Shareholders can choose to take up their entitlements in whole, in part or not at all. Eligible Retail Shareholders who take up their entitlement in full can also apply for additional New Shares in excess of their entitlement (the "Top Up Offer"). Eligible Retail Shareholders are not assured of being allocated any New Shares in excess of their entitlement under the Top Up Offer. The issue of New Shares in excess of entitlements under the Top Up Offer is dependent on the availability of renounced shares or shares that would have otherwise been offered to ineligible retail shareholders if they had been eligible to participate in the Retail Entitlement Offer. Mayne Pharma retains final discretion to scale back applications as appropriate to ensure equity for all shareholders.

To the extent that existing Eligible Retail Shareholders apply for an amount of additional New Shares in the Top Up Offer of up to an additional 1.13 times their entitlement (the "Pro Rata Participation Amount") and have such application scaled back, the Mayne Pharma Board will seek to implement a subsequent offer to such shareholders to enable them to subscribe for their full Pro Rata Participation Amount (the "Additional Retail Offer") at the Offer Price. The maximum size of any Additional Retail Offer is approximately A\$22.5m, and the conduct of any such offer is subject to obtaining any necessary shareholder and regulatory approvals.

The Retail Offer Document (including the "Acquisition of Metrics Inc." presentation) is to be lodged with ASX and dispatched to Eligible Retail Shareholders by 12 October 2012 and will also be made available on Mayne Pharma's website (www.maynepharma.com). Any Eligible Retail Shareholder who wishes to acquire New Shares under the Retail Entitlement Offer should review the Retail Offer Document and will then need to complete, or otherwise apply in accordance with, the personalised application and entitlement form that will be in or will accompany the Retail Offer Document.

Retail shareholders who have questions regarding the Retail Entitlement Offer should read the Retail Offer Document in full and if they require further information, call Computershare Investor Services Pty Limited on 1300 850 505 (local call cost within Australia) or +61 3 9415 4000 (from outside Australia) at any time from 8:30am to 5:30pm (Melbourne time) Monday to Friday during the offer period between 12 October 2012 and 29 October 2012 or go to Mayne Pharma's website.

Placements

Mayne Pharma will also conduct an Unconditional Placement, Conditional Institutional Placement, Metrics Placement, Mathieson Placement, Corbett Placement and Richards Placement at the Offer Price of A\$0.20 per New Share.

Completion of each of the conditional placements is subject to the approval of Mayne Pharma shareholders at Mayne Pharma's Annual General Meeting to be held on 9 November 2012.

Important Information

This announcement contains certain "forward-looking statements" within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may," "should," "expect," "anticipate," "estimate," "scheduled" or "continue" or the negative thereof or comparable terminology. Any forecasts or other forward looking statements contained in this announcement are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. Mayne Pharma does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this announcement will actually occur and you are cautioned not to place undue reliance on forward-looking statements.

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The shares in the proposed offering have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the shares in the proposed offering may not be offered, or sold, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

The pro forma financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission. Readers should also be aware that certain financial data included in this announcement are "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended, including EBITDA (earnings before interest, taxes, amortisation and one-offs).

The disclosure of such non-GAAP financial measures in the manner included in this announcement would not be permissible in a registration statement under the Securities Act. Mayne Pharma believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of Mayne Pharma. These non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included in this announcement.