

ANNOUNCEMENT

Halcygen reports maiden profit and dividend, with eight months of results from Mayne Pharma following the acquisition

- *Dividend of 2.0 cents per share*
- *Underlying EBITDA of \$12.2M*
- *Strong cash position of \$19.7M*
- *Debt reduced to \$8.6M*

31 August 2010, Melbourne Australia: Halcygen Pharmaceuticals Limited (ASX: HGN) today announced underlying operating earnings of \$12.2M, which are as expected for the year ending 30 June 2010. This represents eight months of the acquisition of Mayne Pharma International Pty Ltd (Mayne Pharma) effective 1 November 2009. As a result of this strong profit, the Board of Halcygen has declared a fully franked dividend of 2.0 cents per share with a record date of 29 October 2010 and payable 18 November 2010 and intends to make a special dividend of 1.0 cents per share payable in the first half of calendar 2011 following consideration of the half year financial performance.

Halcygen's CEO, Dr Roger Aston said "The F10 financial year was nothing less than transformational for Halcygen following the acquisition of Mayne Pharma from Hospira Inc. in early November 2009. Within the space of the remaining eight months to 30 June 2010, Halcygen has moved from being a product development company seeking to launch its first major product in 2012 to an integrated pharmaceutical company with gross revenues of \$36.7M and underlying EBITDA of \$12.2m for the F10 financial year."

F10 Results

	Reported \$ millions	Underlying ¹ \$ millions	Mayne Pharma ² \$ millions
Sales	36.7	36.7	36.6
Gross profit	17.9	17.9	17.8
EBITDA	8.5	12.2	15.5
Depreciation	(1.3)	(1.3)	(1.3)
EBITA	7.2	10.9	14.2
Amortisation ³	(5.3)	-	-
EBIT	1.9	10.9	14.2
Net interest	(1.3)	(0.4)	0.1
NPBT	0.6	10.5	14.3
Income tax expense	2.6	(3.1)	(0.6)
NPAT	3.3	7.3	13.7
EPS (cps)	2.6	5.9	
Net operating cash flows	10.3	10.3	
Cash at bank	19.7	19.7	

1. Adjusted for one off and non cash acquisition items including \$1.0m notional share based payments, \$0.3 acquisition costs, \$0.3m inventory revaluation on acquisition and \$2m non recurring SUBA®-Itaconazole development

2. Excludes consolidation adjustments

3. The amortisation of intangibles associated with the acquisition of Mayne Pharma for F11 is expected to be approximately \$6.0 million and will decrease significantly in the following years with the Company adopting a policy of aggressive amortisation.

Sales revenue was lower than forecast at the time of the Mayne Pharma acquisition due to the stronger than expected Australian dollar impacting sales of the key proprietary drug Doryx® sold into the US market. The forecast exchange rate at the time of the acquisition was AUD/USD 0.80 versus actual settled rate of AUD/USD: 0.89. Adjusting prior period US Doryx® sales for current FX rates, sales grew 8% year on year. Doryx® has continued to grow in its US market through its strategic marketing and distribution partner Warner Chilcott whose annual sales of Doryx® now exceed US\$200m.

Sales revenue from contract manufacturing liquids and creams, representing approximately 15% of sales, were up 8%. This includes brands such as Betadine, Parachoc, FESS and Painstop.

From March 2010, Halcygen has been recognising “full margin” on the sales of its proprietary products following the provision of formal notice to Hospira Inc to transfer the marketing and distribution of products currently sold into the Australian and Asian markets to Mayne Pharma. Currently the suite of products includes, Doryx®, Eryc®, Magnoplasm® and Astrix®. A full year contribution from marketing and distribution of these products will provide a significant contribution to the bottom line in the coming year.

Following the acquisition, Halcygen has continued to invest strongly in research and development at Mayne Pharma with a greater than 20% increase on the previous corresponding period. New dose and formulations of proprietary products are in late stage of development.

During the year the Company finalised the accounting recognition of the acquisition of Mayne Pharma. The finalisation of the recognition of assets acquired on the acquisition of Mayne Pharma for accounting purposes and the associated tax accounting following the group entering into a consolidated group have resulted in some complex accounting impacting the statement of income. It should be noted that the consolidated net profit after income tax of \$3,253,119 for the period included the following items:

- \$1,292,523 depreciation of fixed assets;
- \$5,317,690 amortisation of intangible assets arising on acquisition;
- \$1,001,722 share based payment expense relating to options issued during the period;
- \$1,202,468 of notional interest relating to the earn-out liability and inventory valuation adjustments arising on the acquisition of Mayne Pharma;
- \$345,350 acquisition costs;
- \$423,395 interest expense, principally in relation to the loan facility which has been paid down to US\$7.5M; and
- \$2M SUBA® - Itraconazole development cost that will be non-recurring in F11. Total SUBA® - Itraconazole development cost for F10 was approximately \$3M which is expected to reduce to approximately \$1M in F11.

As a result of the group becoming a consolidated group for taxation purposes there are approximately a total of \$9.0M current year and prior year carry forward losses that are available to be utilised against taxable income of Mayne Pharma for the current year which totalled approximately \$17.6M. There is approximately a further \$5.4M prior year losses that are carried forward and available for utilisation in future periods, subject to the Company satisfying the continuity of ownership test.

Amortisation of intangible assets arising on the acquisition of Mayne Pharma amounted to approximately \$5.3M for the period. The Company has a policy of aggressively amortising these assets with the greatest amounts in the early years immediately following the acquisition.

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Dr Aston said "At 30 June 2010, we reported that our cash position was \$19.7M following pay-down of US\$2.5M of debt of the US\$10.0m NAB loan facility underpinning the acquisition of Mayne Pharma. The Company has also generated \$10.3m of net operating cash inflows for the consolidated group for the full year. It is expected that our debt position will be completely paid down in 2011 highlighting our strong cash generating position as we move forward.

"Amidst the intense activity following the acquisition of Mayne Pharma, we have managed to maintain our focus on our fundamentals, with our lead product SUBA® - Itraconazole remaining on target for filing a dossier for registration in Europe in the last quarter of calendar 2010.

"Our strategic goals for the coming year include continued improvements in the efficiency and productivity of the business, further investment in developing and commercialising improved pharmaceuticals and launching and marketing existing and new products through partnerships with global licensees. Furthermore, we will seek to build on our platform through in-licensing and acquisition of products that are either commercialised or nearing commercialisation.

"We will remain relentless in defending our proprietary position and market share with our marketing partners and maintain a life-cycle management programme to stay ahead of potential competition.

"Based on current performance and indications, Halcygen expects F11 underlying EBITDA to be at least equal to or greater than the pro-rata annualised F10 results at current exchange rates. Our strong financial position together with our extensive product portfolio and pipeline give us great confidence in the future" concluded Dr Aston.

-ENDS-

For further information please contact:

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[Halcygen-Mayne Profile:](#)

Halcygen was founded to bridge the gap between main stream pharmaceutical companies and high volume generics companies through the development and licensing of new improved proprietary generic formulations known as "SuperGenerics" or "High Functionality Generics".

Halcygen acquired Mayne Pharma in November 2009. The company has substantial assets and revenues.

Mayne Pharma was formerly known as FH Faulding & Co Ltd, and is a 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 in developing and commercialising improved pharmaceuticals, and has launched and marketed numerous products through partnerships with global licensees.

Mayne Pharma's facilities are based in South Australia 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.

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Rule 4.3A

Appendix 4E

Preliminary final report

Name of entity:

HalcyGen Pharmaceuticals Limited

ABN or equivalent company
reference:

76 115 832 963

Reporting period:

Year ended 30 June 2010

Previous corresponding
period:

Year ended 30 June 2009

2. Results for announcement to the market

\$A

2.1	Revenue from ordinary activities	up	8638%	to	\$36,712,915
2.2	Profit from ordinary activities for the period after tax	up		to	\$3,253,119
2.3	Net profit for the period attributable to members	up		to	\$3,253,119
2.4	Dividends		Amount per security		Franked amount per security
	Final dividend (cents)		2.0		100%
	Interim dividend (cents)		Nil		N/A
2.5	Record date for determining entitlements to the dividends		29 October 2010		
2.6	Brief explanation of any of the figures reported above to enable the figures to be understood:				
	N/A				

3. Statement of comprehensive income

	Current Period 2010 \$	Previous Corresponding Period 2009 \$
Revenues from continuing operations	36,712,915	430,006
Cost of sales	(18,794,368)	-
Inventory revaluation on acquisition	(332,645)	-
Gross profit	17,585,902	433,006
Other income	331,073	609,875
Research and development expenses	(5,293,859)	(3,145,714)
Distribution expenses	(160,064)	-
Marketing expenses	(227,546)	-
Share-based payments	(1,001,722)	(27,154)
Amortisation expense	(5,317,690)	-
Administrative expenses	(3,485,825)	(1,992,030)
Finance costs	(1,480,091)	-
Acquisition costs	(345,350)	-
Profit / (loss) before income tax	604,828	(4,125,017)
Income tax credit / (expense)	2,648,291	363,699
Profit / (loss) for the period	3,253,119	(3,761,318)
Total comprehensive income / (loss) for the period	3,253,119	(3,761,318)
Basic earnings / (loss) per share (cents per share)	2.64	(4.94)
Diluted earnings / (loss) per share (cents per share)	2.55	(4.94)

4. Statement of financial position

	Current Period 30 June 2010 \$	Previous Corresponding Period 30 June 2009 \$
Current assets		
Cash and cash equivalents	19,708,613	7,936,450
Trade and other receivables	5,999,469	39,118
Inventories	6,499,621	-
Other current assets	321,209	37,443
Total current assets	32,528,912	8,013,011
Non-current assets		
Property, plant and equipment	21,047,216	22,783
Deferred tax assets	3,347,373	-
Intangible assets and goodwill	14,225,911	-
Total non-current assets	38,620,500	22,783
Total assets	71,149,412	8,035,794
Current liabilities		
Trade and other payables	3,927,455	233,335
Interest-bearing loans and borrowings	7,587,253	-
Income tax payable	2,586,266	-
Other financial liabilities	6,549,000	2,222
Provisions	2,517,178	82,347
Total current liabilities	23,167,152	317,904
Non-current liabilities		
Interest-bearing loans and borrowings	1,026,975	-
Other financial liabilities	14,391,607	-
Deferred tax liabilities	5,549,648	-
Provisions	1,464,274	13,627
Total non-current liabilities	22,432,504	13,627
Total liabilities	45,599,656	331,531
Net assets	25,549,756	7,704,263
Equity		
Contributed equity	29,649,406	15,868,975
Reserves	1,714,227	902,284
Accumulated losses	(5,813,877)	(9,066,996)
Total equity	25,549,756	7,704,263

5. Statement of cash flows

	Current Period 2010 \$	Previous Corresponding Period 2009 \$
Cash flows from operating activities		
Cash receipts from customers	38,183,760	-
Cash payments for research and development expenditure	(5,345,260)	(3,216,283)
Cash payments to suppliers and employees	(22,402,089)	(1,167,254)
Interest received	206,145	430,006
Interest paid	(348,483)	-
Tax received	-	363,699
Tax paid	(38,473)	-
Net cash flows from operating activities	10,255,600	(3,589,832)
Cash flows from investing activities		
Payments for property, plant and equipment	(398,564)	(4,343)
Payments for acquisition of subsidiaries	(18,384,094)	-
Net cash flows from investing activities	(18,782,658)	(4,343)
Cash flows from financing activities		
Proceeds from issue of shares	14,160,940	-
Payment of share issue costs	(750,388)	-
Proceeds from borrowings	10,722,557	-
Repayment of borrowings	(2,738,888)	-
Repayment of deferred consideration	(1,095,000)	-
Net cash flows from financing activities	20,299,221	-
Net increase / (decrease) in cash held	11,772,163	(3,594,175)
Cash and cash equivalents at the beginning of the period	7,936,450	11,530,625
Cash and cash equivalents at the end of the period	19,708,613	7,936,450

Statement of changes in equity

	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2009	15,868,975	902,284	(9,066,996)	7,704,263
Profit for the year	-	-	3,253,119	3,253,119
Shares issued	13,590,652	-	-	13,590,652
Share options exercised	189,779	(189,779)	-	-
Share options issued	-	1,001,722	-	1,001,722
Balance at 30 June 2010	29,649,406	1,714,227	(5,813,877)	25,549,756
Balance at 1 July 2008	15,868,975	875,130	(5,305,678)	11,438,427
Loss for the year	-	-	(3,761,318)	(3,761,318)
Share options issued	-	27,154	-	27,154
Balance at 30 June 2009	15,868,975	902,284	(9,066,996)	7,704,263

6. Dividends (in the case of a trust, distributions)

Date dividend is payable	18 November 2010
+Record date to determine entitlements to the dividend	29 October 2010
If it is a final dividend, has it been declared?	

Amount per security

	Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
Final dividend: Current year	2.0c	100%	Nil
Previous year	Nil	N/A	N/A
Interim dividend: Current year	Nil	N/A	N/A
Previous year	Nil	N/A	N/A

Total dividend (distribution) per security (interim plus final)

	Current period	Previous corresponding period
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A

7. Dividend or distribution plans in operation

The last date(s) for receipt of election notices for the +dividend or distribution plans	N/A
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8. Consolidated retained profits

	Current Period 2010 \$	Previous Corresponding Period 2009 \$
Accumulated losses at the beginning of the financial period	(9,066,996)	(5,305,678)
Net profit / (loss) attributable to members	3,253,119	(3,761,318)
Accumulated losses at end of financial period	(5,813,877)	(9,066,996)

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9. NTA backing

	Current Period 2010	Previous Corresponding Period 2009
Net tangible asset backing per ordinary security	7.3 cents	10.1 cents
Net asset backing per ordinary security	17.2 cents	10.1 cents

10. Control gained over entities having material effect

Name of entity (or group of entities)

Mayne Pharma International Pty Ltd

Consolidated profit from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺acquired

\$8,079,625

Date from which such profit has been calculated

31 October 2009

Profit from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

\$16,354,002

Loss of control of entities having material effect

Name of entity (or group of entities)

N/A

Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

N/A

Date to which the profit (loss) has been calculated

N/A

Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

N/A

Contribution to consolidated profit (loss) from ordinary activities from sale of interest leading to loss of control

N/A

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11. Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A	Previous corresponding period \$A
Equity accounted associates and joint venture entities				
N/A				
Total				
Other material interests				
N/A				
Total				

12. Significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position:

For the financial year ended 30 June 2010, the profit attributable to members of the Company was \$3,253,119 (2009: \$3,761,318 loss).

The consolidated entity's net revenue for the year ended 30 June 2010 was \$34,371,420 and gross profit was \$17,585,902, comprising eight months of MPI operations. The consolidated net profit after income tax for the year ended 30 June 2010 of \$3,253,119 included the following items:

- \$5,317,690 amortisation of intangible assets arising on acquisition;
- \$1,292,523 depreciation of fixed assets;
- \$1,001,722 share based payment expense relating to options issued during the period;
- \$1,202,468 of notional interest relating to the earn-out liability and inventory valuation adjustments arising on the acquisition of MPI;
- \$345,350 acquisition costs;
- \$423,395 interest expense, principally in relation to the loan facility which has been paid down to US\$7.5 million; and
- \$2M SUBA® - Itraconazole development cost that will be non-recurring in F11. Total SUBA® - Itraconazole development cost for F10 was approximately \$3M which is expected to reduce to approximately \$1M in F11.

and approximately \$5.43 million in other operating costs relating to the Company on a stand alone basis, of which \$3,055,111 was incurred on research and development (year ended 30 June 2009: \$3,145,714).

As at 30 June 2010, the cash position was \$19,708,613 (2009: \$7,936,450) and the Company had 148,178,700 (2009: 76,099,000) shares on issue.

The Company acquired Mayne Pharma International Pty Ltd (MPI) for US\$15.0 million and an "Earnings Sharing Arrangement" with effect from 31 October 2009.

MPI was formerly known as FH Faulding & Co Ltd, and is a specialist pharmaceutical company with an intellectual property portfolio built around the optimisation and delivery of oral dosage form drugs. MPI has a long and successful history in developing and commercialising improved pharmaceuticals, and has launched and marketed numerous products through partnerships with global licensees. Although MPI was a wholly owned subsidiary of Hospira Inc., it operated largely independently of Hospira's global hospital products business. Refer to the Company's presentation regarding the acquisition of MPI filed on ASX on 28 September 2009.

Subsequent events

On 26 August 2010 the Company announced that it has signed a distribution agreement with Pan-Malayan Pharmaceuticals Pte Ltd for the distribution of DORYX, ASTRIX and ERYC in Singapore.

On 11 August 2010, the Company announced that its marketing and distribution partner for its Doryx product, Warner Chilcott (USA), has filed its operating results showing US\$51.0 million in Doryx sales for the quarter ended 30 June 2010 and US\$101.9 million for their year-to-date (calendar) ended 30 June 2010. Warner Chilcott's 2nd quarter sales for the previous year to 30 June 2009 were US\$44.9, indicating an increase for 2010 of 13.7% over 2009 second quarter.

On 29 July 2010 the Company announced the resignation of Mr Craig Bottomley as an executive Director of the Company.

13. Foreign entities set of accounting standards used in compiling the report (IAS)

N/A

14. Commentary on the results for the period

14.1 Earnings per security (EPS)

	Current Period 2010	Previous Corresponding Period 2009
Basic EPS (cents per share)	2.64 cents	(4.94 cents)
Diluted EPS (cents per share)	2.55 cents	(4.94 cents)

14.2 Returns to shareholders (Including distributions and buy backs)

	Current Period 2010 \$	Previous Corresponding Period 2009 \$
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A
Other equity instruments	N/A	N/A

Total	N/A	N/A
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The dividend or distribution plans shown below are in operation.

Payment of a cash dividend as detailed at Section 6 above.

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

N/A

14.3 Significant features of operating performance

Refer to Item 12.

14.4 Segment Information

The consolidated entity operates in two operating segments, being Mayne Pharma International Pty Ltd and HalcyGen Pharmaceuticals Limited, and one geographical location, being Australia. The consolidated entity reports the following information on the operations of its identified segment, the operations of its subsidiary Mayne Pharma International Pty Ltd:

	Mayne Pharma International Pty Ltd (8 months) \$	HalcyGen (stand alone and corporate) (12 months) \$	Total consolidated \$
Sale of goods	34,371,420	-	34,371,420
Other revenue	2,197,032	144,463	2,341,495
Revenue	36,568,452	144,463	36,712,915
Cost of sales	(18,794,368)	-	(18,794,368)
Inventory revaluation on acquisition	(332,645)	-	(332,645)
Gross profit	17,441,439	144,463	17,585,902
Other income	537,934	(206,861)	331,073
Amortisation of intangible assets	(5,317,690)	-	(5,317,690)
Other expenses	(4,012,174)	(7,982,283)	(11,994,457)
Profit / (loss) before income tax	8,649,509	(8,044,681)	604,828
Income tax benefit / (expense)	(569,884)	3,218,175	2,648,291
Net profit / (loss) for the period	8,079,625	(4,826,506)	3,253,119
Assets	63,984,758	7,164,654	71,149,412
Liabilities	15,299,171	30,300,485	45,599,656

14.5 Report on trends in performance

None

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14.6 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

N/A

Any other information required to be disclosed to enable the reader to compare the information presented with equivalent information for previous periods. This must include information needed by an investor to make an informed assessment of the entity's activities and results.

N/A

15. Compliance statement

This report is based on accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

16. If the accounts have not yet been audited or subject to audit review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

N/A

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

N/A

Sign here: Date: 31 August 2010
(Company Secretary)

Print name: Aaron Finlay

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