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Item1. Business

Marshall Edwards Inc, (MEI) is an American company registered in Delaware. MEI was established in December 2000 by its parent company Novogen Limited, an Australian pharmaceutical company, listed on both the Australian Stock Exchange and NASDAQ.

MEI has its registered office at The Corporation Trust Company, The Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA. The Company's telephone number and contact details are; Phone 61-2-8877-6196; Fax 61-2-9878-8474; web site, www.marshalledwardsinc.com (the information contained in the web site does not form part of the Annual Report (for AIM filling purposes))

An Australian subsidiary of MEI, Marshall Edwards Pty Ltd (MEPL) (together the "MEI Group") was established in April 2002 to facilitate the commercialisation of the novel anti cancer drug phenoxodiol. In May 2002, MEI listed its shares on the London Stock Exchange's Alternative Investment Market (AIM) company code MSH with an initial private placement raising $US10.1 million representing 4.8% of the issued capital. Following listing, Novogen Limited retains 95.2% of MEI's issued capital. In June 2003, 9000 warrants were exercised and at the date of this report Novogen owns 95.1% of MEI's issued capital.

The MEI Group commenced trading in May 2002.

Principal Activities

Novogen Limited and its subsidiary companies (together the Novogen Group) has granted to the MEI Group an exclusive license under its patent applications and the intellectual property rights in the relevant know-how to develop, market and distribute all forms of administering phenoxodiol for anti cancer uses except topical applications. In addition the MEI Group has the option of an exclusive first right and an exclusive last right to match any proposal dealing with third parties by Novogen Research Pty Ltd for the intellectual property rights and development of other anti cancer drugs in the agreed dose forms derived from the Novogen library of compounds.

The MEI Group's initial business focus will be to continue the clinical program currently underway for the development of phenoxodiol.

History of phenoxodiol development

Phenoxodiol belongs to a class of drugs that the Novogen Group refers to as multiple signal transduction regulators (MSTRs).

The class of compounds from which phenoxodiol is drawn has been found by the Novogen Group to target a range of malfunctions of key signal transduction processes, and to regulate those processes by variably inhibiting or stimulating different targets. Phenoxodiol targets a number of key components involved in cancer cell survival and proliferation signal transduction processes. Kinases eg sphingosine kinase, growth factor receptor-associated protein tyrosine kinases and cyclin-dependent kinase appear to be key targets of phenoxodiol, with inhibition of these targets resulting in cancer cell cytotoxicity (death) and cytostasis (blocking cell division) respectively.

Preliminary studies are pointing to phenoxodiol acting as a pan kinase inhibitor and that this effect is the result of the drug impeding the phoshorylation capacity of the tumor cell. This effect is restricted to tumor cells, with kinase activity in non-tumor cells unaffected

In the laboratory, this inhibitory effect of phenoxodiol on kinases stops cell proliferation and induces cancer cell death in a wide range of types of human cancer. The restriction of the kinase inhibitory effect of phenoxodiol to tumor cells means that the drug has no such effects on non-cancer cells.

Novogen scientists first synthesized phenoxodiol in 1997 as part of a program of synthesis of compounds based on an isoflavonoid ring chemical structure. When screened for anti-cancer action against human cancer cells in vitro, phenoxodiol was found to be cytostatic and cytotoxic against a wide range of human cancer cells, but without toxicity against non-tumor cells. In vivo studies in laboratory animals subsequently showed that phenoxodiol administered either orally or systemically was adequately bioavailable and significantly retarded tumor development.

Subsequent pre-clinical studies identified a range of molecular targets of phenoxodiol within human cancer cells, prompting the Company to classify the drug as a Multiple Signal Transduction Regulator.

The broad anti-cancer action of phenoxodiol against an extensive library of different human cancer cell lines (prostate, breast, ovarian, lung and cervical cancer, mesothelioma, melanoma, glioma and rhabdomyosarcoma), suggested potential clinical application as a first line chemotherapeutic against a wide range of types of human cancer. Further pre-clinical studies showed that phenoxodiol has a number of indirect anti-cancer effects (a potent ability as an anti-androgen and an ability to induce apoptosis of hyperplastic prostate smooth muscle cells) that suggested prostate cancer as a particularly suitable clinical target, leading to this form of cancer being identified early as a prime potential clinical target for the drug. However, with a view to allowing further time to identify the most sensitive types of cancer to phenoxodiol, the strategy adopted was to conduct Phase I studies in patients with a wide selection of solid tumors in order to gain tentative evidence of efficacy across a range of different tumor types.

Phase Ia pharmacokinetic studies conducted in cancer patients in May 2000 showed that phenoxodiol behaved similarly to steroidal hormones and was prone to conjugation (glucuronide and sulfates) within the body. These conjugated forms are the means by which a water-insoluble drug such as phenoxodiol is transported within the body. Conversion of these drugs to the active form requires deconjugation by relevant enzymes within end tissues to yield the bioactive (unconjugated) drug form. Bioequivalence studies showed that phenoxodiol is considerably more prone to conjugation when administered orally (>99%) compared to intravenously (approximately 85%). Therefore, in the absence of definitive data on the rates of expression of deconjugating enzymes by different tumor types, it was decided to commence clinical studies with an intravenous dosage form of phenoxodiol because of the certainty of obtaining levels of unconjugated phenoxodiol in the plasma that were known in the laboratory to be highly cytotoxic to cancer cells.

A Phase Ib toxicity study was commenced in Australia in November 2000 and finished in March 2002. Twenty-one patients with late-stage solid cancers (any type) were given phenoxodiol by weekly bolus injections for 12 weeks. This was a dose-escalating study, with inter-patient escalation from 1 to 30 mg/kg/dose. No dose-limiting toxicity was reached and no significant toxicities other than some hypersensitivities to the drug vehicle (cyclodextrin) were encountered.

A second Phase Ib toxicity study commenced in Australia in April 2001 and concluded in 2002. Twenty-one patients with late-stage solid cancers (any type) were given phenoxodiol by continuous intravenous infusion. This was a dose-escalating study, with inter-patient escalation from 1 to 40 mg/kg/day. No dose-limiting toxicity was reached and no significant toxicities were encountered.

The intravenous dosage form of phenoxodiol was granted IND status by the FDA in January 2001, allowing a third Phase Ib toxicity study to commence at The Cleveland Clinic, Ohio, in August 2001. This study concluded in 2002. Patients with late-stage solid cancers (any type) were given phenoxodiol by continuous intravenous infusion. This was a dose-escalating study, with inter-patient escalation from 0.5 to 64 mg/kg/day. No dose-limiting toxicity was reached and no significant toxicities were encountered.

Concurrent with the Phase I clinical trial program outlined above, pre-clinical studies continued with a view to better understanding the molecular targets of the drug and the most appropriate tumor types for therapy. In terms of molecular targets, a number of important actions were identified: (a) that the drug has broad inhibitory activity against kinase enzymes, resulting in disruption to a wide range of signaling pathways involved in cell survival and growth; (b) that phenoxodiol-induced apoptosis occurred via the caspase cascade; (c) that phenoxodiol-induced apoptosis was initiated as a result of activation of death receptor (Fas, TRAIL) mechanisms and down-regulation of death receptor blockers (c-FLIP, XIAP); (d) that a key molecular target is the receptor protein, tNOX, whose inhibition leads to extensive disruption of pro-survival mechanisms.

A further key pre-clinical finding was that phenoxodiol was particularly effective against ovarian cancer, melanoma and mesothelioma cell lines that were resistant to all standard chemotoxic anti-cancer drugs, pointing to the usefulness of phenoxodiol at least in patients with these cancers who had failed all other forms of chemotherapy.

The selection of specific tumor types in which to test the drug in Phase II clinical trials was based on a number of factors. First, the known relevance of certain actions of phenoxodiol (e.g. the targeting of death receptor activity) to the survival of certain cancer cell types; second, pre-clinical experience with the use of phenoxodiol in animals bearing human tumor xenografts; and third, observations of clinical responses in patients treated with phenoxodiol. The particular tumor types selected are ovarian cancer, prostate cancer, and squamous cell carcinomas (SCC) of skin and mucosal surfaces. Renal cancer, breast and pancreatic cancer also have been identified as potential clinical targets, and may be studied in due course. A feature of this entire group of cancers that underlies their selection from a strategic point of view is their aggressiveness and generally low sensitivity to standard chemotoxic drugs.

A Phase II study of the intravenous dosage form of phenoxodiol in patients with ovarian cancer commenced at Yale University School of Medicine, in October 2002 and is current.

It was decided by the Company to pursue the clinical applications in prostate cancer and SCC using the oral dosage form of the drug. This followed the trial use of the oral dosage form in a number of patients who had completed the Phase I trials of the intravenous dosage form of phenoxodiol, but whose physicians recommended ongoing phenoxodiol treatment. The oral dosage form was found capable of prolonging survival in patients with advanced disease despite the presence of phenoxodiol in the blood in an almost completely conjugated form.

The oral dosage form of phenoxodiol entered clinical trials in January 2002, and currently is being evaluated in Australian hospitals in Phase II clinical trials for the treatment of prostate cancer and SCC. SCC refers to a type of cancer that occurs in the skin and mucous membranes of the body and is the major form of malignancy affecting the skin, mouth, tongue, throat, cervix, vagina and bladder.

The oral dosage form of phenoxodiol was granted IND status by the FDA in June 2003, which clears the way to commence a study in collaboration with Yale University School of Medicine in patients with cancer of the cervix, vulva and vagina. Phenoxodiol will be used on a

neoadjuvant basis in patients following a primary diagnosis of cancer. The drug will be administered daily for periods up to 4 weeks prior to surgery or radiotherapy.

In early 2002, phenoxodiol entered a Phase Ib/IIa study in patients with hematological tumors, in an attempt to test the usefulness of phenoxodiol in non-solid tumors. However, the apparent sensitivity of solid tumors to phenoxodiol and the need to focus resources on those clinical opportunities means that an application in hematological tumors is unlikely to be taken further.

Phenoxodiol and Ovarian Cancer

A phase II clinical study is being conducted by Yale University School of Medicine. The study is fully enrolled, using 40 patients with advanced, metastatic ovarian cancer that has become unresponsive to at least 2 standard chemotherapies (the average number of different drug regimes used previously in these patients is 5 per patient). Phenoxodiol is being administered as a monotherapy by bolus intravenous injection on two consecutive days per week in rising dosages (1, 3, 10 and 20 mg/kg/24-hr) to four groups, each of ten women, over treatment cycles of 12 weeks. No drug-associated toxicity has been encountered to date, and tumor response is being assessed on the basis of tumor mass, levels of the tumor marker (CA125) in the blood, survival over 12 months, and quality of life.

This clinical trial is based on laboratory studies at Yale University School of Medicine that showed phenoxodiol to be the most effective drug at killing ovarian cancer cells, including those that are resistant to all standard anti-cancer drugs.

Following analysis of the data from the current Phase II study, a decision will be made concerning the next stage.

A recent pre-clinical study also extended these findings by showing that phenoxodiol proved highly effective at restoring ovarian cancer cells' sensitivity to standard anti-cancer drugs such as cisplatin. Cisplatin is a standard drug used in the treatment of ovarian cancer, but patients' tumors commonly become resistant to this drug after some months. A combination of phenoxodiol and cisplatin proved highly effective in stopping human ovarian cancer growth in animals with doses of phenoxodiol and cisplatin that alone were ineffective. This raises the prospect of obtaining an enhanced clinical response of phenoxodiol by combining it with standard chemotherapies, and the opportunity to conduct a combinational drug trial in ovarian cancer patients is under review currently.

Phenoxodiol and Prostate Cancer

A study is current at two Australian hospitals testing the effect of oral phenoxodiol therapy in patients with late-stage prostate cancer that has become unresponsive to hormonal therapy. The phenoxodiol is being administered three times per day on a daily basis over treatment cycles of 12 weeks. There will be 24 patients in this trial, with patients being allocated to 7 different dose levels (from 0.72 to 9.0 mg per 24-hr). The study currently has 14 patients enrolled.

Phenoxodiol and Cutaneous SCC

The potential for phenoxodiol in the treatment of cutaneous SCC arose from the observation that in patients being treated for other forms of cancer who coincidentally had aggressive, malignant SCC of the skin, the SCC tumors showed objective responses within several weeks. A phase II trial is current at an Australian hospital in patients with malignant SCC of the skin. Phenoxodiol is being administered orally, three times daily for a period of 3 months. There will

be 30 patients enrolled and they will be each allocated to a treatment regiment of one 50 mg dose taken 3 times per day.

Since commencing trading, the MEI group has spent $2.1m on research and development and clinical trials.

Due to the nature and uncertainty of the R&D projects being undertaken by the company it is not possible to reasonably estimate the cost and timing of project completion. The R&D projects are not costed on a project by project basis and to analyse costs between projects could only be performed on an arbitrary and subjective basis.

Contractual Agreements with the Novogen Group

The two key assets of the MEI Group are the License Agreement and the License Option Deed pursuant to which rights are granted to MEPL. The MEI Group has also entered into a Services Agreement and a Manufacturing and Supply Agreement with the Novogen Group.

MEI has no employees and all services are to be provided to it under the terms of the Services Agreement including clinical trial management, research and development and administration services.

- *The License Agreement*

The License Agreement is an agreement under which Novogen grants to MEPL a worldwide non-transferable license to conduct clinical trials and commercialize and distribute all forms of phenoxodiol except topical applications. The agreement covers uses of phenoxodiol in the field of prevention, treatment or cure of cancer in humans. The license is exclusive until the expiration of the last relevant Novogen *patent right* in the world and thereafter is nonexclusive. The Company or Novogen may terminate the agreement with three months notice. Amounts payable to Novogen under terms of the license agreement is as follows:

1. A lump sum license fee of $5,000,000 is payable to Novogen on November 1, 2002 or later on the date when the cumulative total of all funds received from debt or equity issuances and revenue received from commercialization (income other than sales) and sales of phenoxodiol products exceeds $25,000,000.
2. A lump sum license fee of $5,000,000 is payable to Novogen on November 1, 2003 or later on the date when the cumulative total of all funds received from debt or equity issuances and revenue received from commercialization (income other than sales) and sales of phenoxodiol products exceeds $50,000,000.

In addition to the amounts above, the Company must pay Novogen 2.5 % of all net sales and 25% of commercialization income. After the exclusivity period of the license, 1.5% of net sales must be paid to Novogen.

Amounts payable for milestone license fees under the License Agreement for the calendar years ended December 31 are as follows:

Calendar Year	
2003	1,000,000
2004	2,000,000
2005	4,000,000
Each calendar year thereafter	8,000,000

Any amounts payable to Novogen under the above milestone payments will be reduced for amounts paid under the lump sum license fee requirements above. For the year ended June 30, 2003, $500,000 has been included in the Consolidated Statement of Operations.

- *The License Option Deed*

The License Option Deed Grants MEPL an exclusive right to accept and an exclusive right to match any proposed third party dealing by Novogen of its intellectual property rights in other synthetic compounds that have known or potential anti-cancer applications in all forms other than topical applications.

- *The Services Agreement*

Neither MEI nor MEPL currently intends to directly employ any staffand Novogen will provide or procure services reasonably required by the MEI Group relating to the development and commercialisation of phenoxodiol. Novogen will provide these services at cost plus a 10% mark-up. The Company or Novogen may terminate the agreement with three months notice.

- *The Manufacturing License and Supply Agreement*

Under the terms of the Manufacturing Licence and Supply agreement, Novogen will supply phenoxodiol in its primary manufactured form for the clinical trial development program and Phenoxodiol's ultimate commercial use. Novogen will supply phenoxodiol at cost plus a 50% mark-up. The Company or Novogen may terminate the agreement at any time.

Description of products and services by Segment

The company has operations in the USA and Australia. MEI's Australian subsidiary, Marshall Edwards Pty Ltd is responsible for the clinical development and commercialisation of phenoxodiol. The segments are organised around geographic segments. The geographic segment report is contained in the attached notes to the Consolidated Financial Statements.

Organisational Structure

MEI is a company limited by shares and is domiciled in the US. MEI has prepared the consolidated financial statements incorporating Marshall Edwards Pty Ltd its wholly owned Australian subsidiary.

Item 2. Properties

This Item is not applicable

Item 3. Legal Proceedings

There are no legal proceedings which either individually or in aggregate, will have or are expected to have, a significant effect on the Company's financial position or profitability, nor have any such proceedings had any effect in the past.

Item 4. Submission of Matters to a Vote of Security Holders

This Item is not applicable

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded on the London Stock Exchange's Alternative Investment Market (company code MSH) in the United Kingdom. The approximate number of record holders of the company's common stock at June 30, 2003 was 20.

At June 30, 2003 there were 52,032,000 outstanding shares of common stock. The exercise of 9,000 warrants occurred during the month of June 2003 at an exercise price of $4.00 per share. Common stock has the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held.

Common stock entitle their holder to one vote, either in person or by proxy at a meeting of the company.

Also, at June 30, 2003 there were 2,514,000 outstanding options or warrants. Since the end of the fiscal period and up to the date of this report no warrants have been exercised.

The Directors do not anticipate paying any dividend for the foreseeable future.

High and low stock prices for the period since listing were as follows. Marshall Edwards Inc. has not declared or paid any dividends.

Marshall Edwards, Inc. share price history:

	2002/03 Share Price	
	High	Low
Quarter Ended	GBP	GBP
September 30, 2002	2.50	2.30
December 31, 2002	2.49	2.42
March 31, 2003	2.46	2.25
June 30, 2003	3.55	2.30

The Company listed its common stock on the London Stock Exchange Alternative Investment Market in May 2002 and the shares of common stock are quoted and traded in Pounds Sterling. The company raised $10.1 million in an initial private placement from European, American and Australian institutions and investors. The 2,523,000 shares of common stock amounting to 4.8% of the issued share capital were issued at $4.00 per share. Each share has an attaching warrant or option exercisable prior to the 30th November 2003 with an exercise price of $4.00 per share.

Novogen Limited owns 95.1% of MEI.

Restrictions on US ownership under US Securities Law

The Company's common stock is not registered in the US and because of the restrictions imposed by the Securities Act, the securities may not be offered or sold in the United States or to or for the account or benefit of any US Person other than pursuant to the registration requirements of the Securities Act or an exemption therefrom. Also, there are certain transfer restrictions applying to the shares and pursuant to the Company's By-Laws, the Company will be required to refuse to register any transfer of the securities not made in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an available exemption from registration.

Employee Share Option Plan

The Employee Share Option Plan provides invited Directors, employees and certain consultants of MEI and its associated companies and related bodies corporate with the opportunity to participate in the ownership of MEI. Participation in the plan, the number of share offered and any conditions of exercise are at the discretion of the Board and will depend on the employee's position, record of service and merit.

Options will be exercisable between two and five years after grant or as determined by the Board. The exercise price will be determined at the time of issue.

Options will lapse if the employee ceases to be engaged by the Company, adjustments to the rights of option holders can be made as a result of a reorganisation of capital or other corporate event and options will vest if there is a change in control of MEI.

At June 30, 2003 there have been no options authorised to be issued under the Company's Employee Share Option Plan.

Item 6. Selected Financial Data

The consolidated financial statements in this Annual Report (for AIM filing purposes) have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP). The consolidated financial statements have been audited in accordance with generally accepted auditing standards in the United States by the company's independent public accountants.

The company's fiscal year ends on June 30 and except as otherwise indicated all dollar amounts are denominated in US$ and are at the consolidated level and exclude intercompany amounts.

Summary of Consolidated Statement of Operations

	Year ended June 30, 2003 $'000	Year ended June 30, 2002 $'000
Interest and other income	145	7
Net loss arising during development stage	(3,033)	(123)
Per common share:		
Net loss per share		
- Basic	(0.058)	(0.002)
- Diluted	(0.058)	(0.002)
Weighted average shares used to calculate loss per share	52,023,247	49,769,581
Common stock outstanding at year end	52,032,000	52,023,000

Summary of Consolidated Balance Sheet

	June 30, 2003 $'000	June 30, 2002 $'000
Cash and cash equivalents	7,244	9,164
Total assets	7,286	9,185
Shareholders' equity	5,933	8,899

The notional issue of potential ordinary shares does not result in diluted earnings per share that would show an inferior view of the earnings performance of the company.

MEI was incorporated in December 2000 but did not trade until May 2002, coinciding with the AIM listing and capital raising.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and Notes thereto.

Our fiscal year ends June 30.

We commenced operations in May 2002, and as a result our financial results for fiscal 2003 represent our first full year of operations.

The company currently has no employees. Services to the company for research and development, clinical trial management and administration are supplied by Novogen under the terms of the Services Agreement.

Results of Operations

We are a development stage company that is principally engaged in the clinical development of the anti-cancer drug phenoxodiol, which Novogen has licensed to our wholly-owned subsidiary MEPL. Our main focus during fiscal 2003 was to undertake human clinical testing of phenoxodiol.

We recorded a consolidated loss of $3,033,000 and $123,000 for the fiscal years ended June 2003 and June 2002 respectively.

Consolidated operating expenses for fiscal 2003 were $3,178,000 versus $129,000 for fiscal 2002. The major operating expenses are the costs associated with conducting the clinical trials of phenoxodiol ($1,088,744) and the costs incurred under the licence agreement and the services and manufacturing agreements with Novogen including the cost of the clinical trial drug supplies ($1,739,982). See "Certain Relationships and Related Transactions." The Company also received interest on its cash funds of $144,964.

We intend to continue the clinical development of phenoxodiol and to assess the opportunity to license other cancer drugs developed by Novogen as the opportunities arise.

Liquidity and Capital Resources

At the end of fiscal 2003, we had cash resources of $7,244,478. Funds are invested in short-term money market accounts, pending use.

The implementation of our business plan is dependent on our ability to maintain adequate cash resources to complete the clinical development program.

In May 2002 we raised $10,092,000 through a private placement of 2,523,000 shares of common stock in conjunction with listing on the London Stock Exchange's Alternative Investment Market. Total proceeds of $9,022,000 were received net of $1,070,000 of transaction costs. The 2,523,000 shares of common stock which amount to 4.8% of the issued capital, were issued at $4.00 per share. Each share has an attaching warrant or option exercisable prior to November 30, 2003 with an exercise price of $4.00 per share. These funds were sufficient to progress the clinical development program that Novogen had commenced prior to licensing phenoxodiol to MEPL and to commence new clinical trials.

During June 2003, 9,000 warrants were exercised at $4.00 per share contributing $36,000 to capital.

Our ongoing operations through the conduct of the clinical trial program will continue to consume cash resources without generating revenues and we will need to raise additional funds to complete the Phase II and Phase III clinical development program.

The company is currently considering funding options in order to raise the funds necessary to progress the clinical development of phenoxodiol.

Amounts may be payable to Novogen when certain milestones are met (refer Note 8 of the Consolidated Financial Statements).

We do not intend to incur any significant capital expenditure in the foreseeable future.

Pharmaceutical Segment

Expenditure on this segment amounted to $3,178,000 for the fiscal year ended June 30, 2003. The key objectives of this segment are to progress the development of phenoxodiol and to achieve regulatory approval of phenoxodiol in one or more dosage forms in major markets such as the US and Europe, and/or to enter into a commercial relationship with another party.

Obtaining regulatory approval generally involves testing the drug in three prescribed phases of clinical testing in humans. Although in general the phases are conducted sequentially, they may overlap.

Phase I includes the initial introduction of a new drug into humans. Studies are designed to determine the metabolic and pharmacological actions of the drug in humans, the side effects associated with increasing doses, and if possible, to gain early evidence of efficacy. The total number of subjects included in Phase I studies is generally in the range of 20 to 100.

Phase II studies aim to obtain some preliminary data on the efficacy of the drug in a particular indication in patients with the disease or condition. This phase also helps determine the common short term side effects and risks associated with the drug. Usually up to 500 people are involved in this phase of studies.

Phase III studies are intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the drug. They also provide an adequate basis for extrapolating the results to the general population and transmitting that information in the physician labelling. Phase III studies usually involve up to several thousand people.

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Estimates have been used in determining the Company's expense liability under certain clinical trial contracts where services have been performed but not yet invoiced. The actual costs of

those services could differ in amount and timing from the estimates used in completing the financial results.

The milestone license fee due December 31, 2003 for the 2003 calendar year has been accrued as at June 30, 2003 on a pro-rata basis.

Market Risk and Risk Management Policies

The Group has established controls at the Board level designed to safeguard the interests of the MEI Group and ensure integrity in the reporting to shareholders. MEI Group policies are in place to minimise risk that arise through MEI Group's activities. These include policies that:

- ensure that capital expenditure above a certain level is approved by the Board;
- ensure business risks are appropriately managed through an insurance and risk management program;
- ensure that safety, health, environmental standards and management's systems are monitored and reviewed to achieve high standards of compliance and performance.
- ensure implementation of Board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators.

Ethical Standards

MEI has adopted a Statement of Professional Practice which sets standards of behaviour including:

- to comply with the law and acknowledge the fiduciary duty due to the Company;
- not to engage in short term trading of the Company's shares or options; and
- not to trade in shares when they are aware of information which if disclosed publicly would be likely to materially affect the market price of the Company's shares or options.

Environmental Matters

MEI conducts operations in both the US and in Australia through its subsidiary MEPL. Due to the nature of these operations, neither company is subject to any particular specific environmental regulations.

Impact of Inflation

Although inflation has slowed in recent years it is still a factor affecting the company's financial performance. MEI does not earn sales revenue and for the foreseeable future MEI will not be able to increase the price of goods sold to offset inflationary effects. Costs incurred in conducting clinical trails are affected by inflation as are other inputs. There is a risk that costs will increase over time due to inflation increasing the cost to MEI.

Safe Harbour Statement Under The Private Securities Litigation Reform Act Of 1995

Forward-looking statements in this report, including without limitation, statements relating to the Company's plans, strategies, objectives, intentions, and adequacy of resources, are made pursuant to the safe harbour provisions of the Private securities litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties

including without limitation the following: (i) The Company's plans, strategies, objectives, expectations, and intentions are subject to change at any time at the discretion of the Company: (ii) the Company's plans and results of operations will be affected by the Company's ability to complete the clinical program; (iii) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

7(a) Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company has cash reserves and places funds on deposit with financial institutions for periods not exceeding three months. The Company does not use derivative financial instruments. The Company places its deposits with high credit quality financial institutions. The Company is averse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk, and reinvestment risk.
The Company mitigates default risk by depositing funds with only the safest and highest credit quality financial institutions and by constantly positioning its portfolio to respond appropriately to a significant reduction in a credit rating of any financial institution.

The Company has no interest rate exposure due to rate changes as it has no long-term debt obligations.

Foreign Currency Risk

The Company conducts a portion of its business in various foreign currencies, primarily in the US and Australia. As of June 30, 2003 the Company had not established a foreign currency hedging program. The Company has mitigated and will continue to mitigate, a portion of its currency exposure through local currencies and matching costs which are local currency based.

Item 8. Financial Statements and Supplementary Data

The financial statements filed as part of the Annual Report (for AIM filing purposes) are included on pages 22 through to 33.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 10. Directors and Officers of MEI

The names of the Company's Directors during the financial year and up to the date of this report are as follows:

	Year first appointed	Current term expires
Dr G E Kelly - (Chairman)	2001	2005
Mr C Naughton - (President and CEO)	2000	2005
Mr P A Johnston – Non-executive Director	2001	2005
Professor P.J. Nestel AO – Non –executive Director	2001	2005
Professor D.M. de Kretser – Non-executive Director	2001	2004
Mr Stephen Breckenridge – Non-executive Director	2003	2003

All Directors were in office from the beginning of the financial period until the date of this report, except for Mr Breckenridge who was appointed to the board on August 1, 2003. Mr Breckenridge's appointment will be confirmed at the Annual General Meeting of shareholders.

Information on Directors

Dr Graham E. Kelly, aged 57 *Chairman*
BSc(Vet), BVSc, PhD

Dr Kelly was appointed Chairman of MEI in April 2001. Dr Kelly founded Novogen and has spent nearly 30 years in medical research involving drug development, immunology, surgery and cancer. Dr Kelly was Senior Research Fellow in Experimental Surgery in the Faculty of Medicine at the University of Sydney. He developed the β-1,3-glucan and Isoflavone intellectual property now owned by the Novogen Group. Dr Kelly was Executive Chairman of Novogen between 1997 and 2000 and will continue to act as project leader for phenoxodiol.

Christopher Naughton, aged 50 *President and CEO*
BEc, LLB

Mr Naughton is President and CEO of MEI. He is also the Managing Director of Novogen, Mr Naughton has degrees in Economics from the Australian National University and in Law from the University of New South Wales. He has completed the Program for Management Development at the Harvard Business School, and is admitted to practice as an Attorney in New South Wales. After working in merchant banking, he has spent the last 18 years in the pharmaceutical industry, including appointments as a Director of Wellcome Australia Limited and in worldwide business development with The Wellcome Foundation Limited in the UK.

Philip A Johnston, aged 56 *Non- Executive Director*
Dip Eng (Production)

Mr Johnston has extensive experience in the pharmaceutical industry. He has been a Non-Executive Director of Novogen Limited since 1997 and Chairman of Novogen since January 2001. Mr Johnston has spent 9 years as an Executive Director of Wellcome Australia Limited. He was previously a Director of two subsidiary Companies of Glaxo Wellcome. He has had responsibility for production, distribution, quality assurance and consumer product development and has been directly involved in the establishment of strategic alliances and joint ventures. Mr Johnston has completed a number of executive development programs including the University of NSW and the London Business School.

Professor Paul J Nestel, aged 73 *Non –Executive Director*
AO MD, FTSE, FRACP, FAHA

Professor Nestel is currently a Non-Executive Director of Novogen and Senior Principal Research Fellow and Head of the Cardiovascular Nutrition Laboratory at the Baker Medical Research Institute, Victoria. Professor Nestel is also a Consultant Physician at the Alfred Hospital, Melbourne; He is president of the International Life Sciences Institute (Australia) and is a member of the board of directors of ILSI South East Asia. He was formerly Clinical Professor in Medicine, The Flinders University of South Australia. Professor Nestel has been and remains a member of many national and international committees relating to research and policy on cardiovascular disease. He has published over 370 scientific and medical papers and he is a Fellow of the Australian Academy of Technological Sciences and Engineering and Fellow of the American Heart Association. Professor Nestel is an Officer of the Order of Australia.

Professor David M de Kretser, aged 64 *Non –Executive Director*
AO FAA, MBBS, MD, FRACP.

Professor de Kretser is currently Executive Chair of the Monash Institutes of Health and Associate Dean for Biotechnology Development at Monash University as well as being the Director of the Australian Centre for Excellence in Male Reproductive Health. He was the Founding Director of the Monash Institute of Reproduction and Development and remains as the Director of the Centre for Molecular Reproduction and Endocrinology within the Institute. Professor de Kretser has been active in medicine and research for over 30 years, taking on roles including Professor of the Department of Anatomy, Monash University. He has served on numerous international and national committees dealing with research and has experience on a number of professional editorial boards. He has published over 400 research papers and has been invited to speak at numerous national and international conferences and symposiums on topics such as fertility, andrology and endocrinology. Professor de Kretser's research has led to a number of patents in Australia and overseas. He is an officer of the Order of Australia, a fellow of the Australian Academy of Science and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Mr Stephen Breckenridge, aged 60 *Non – Executive Director*
M.Tax, University of Sydney, FCA, FTIA.

Mr Breckenridge is a non-executive Director of Marshall Edwards Inc. He has had over 25 years experience in public practice as a Chartered Accountant in Australia and is currently Managing Director of Breckenridge Consulting Pty Ltd which provides independent tax and management advice to multi-nationals and SME's. Until 2001 Mr Breckenridge was a tax partner for 24 years with KPMG in Sydney where he provided corporate tax advice to a wide cross section of business in Australia and overseas with particular emphasis in more latter years on international transfer pricing. Mr Breckenridge has also been involved in the pharmaceutical and chemical industries over a long period including serving on several industry association committees and leading industry focus groups within KPMG. Mr Breckenridge holds a Master of Tax degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants and the Taxation Institute of Australia. Mr Breckenridge is currently also a Director of Rounod Pty Ltd.

Executive Officers Profile

David R Seaton, aged 49, Company Secretary
BBus, MCom, CPA

Mr Seaton is the Company Secretary of MEI and the Chief Financial Officer of Novogen. He holds a degree in Business Studies as well as a Master of Commerce Degree from the University of New South Wales. He has completed management development programs at Northwestern University in Chicago as well as Duke University and the London Business School. He has 18 years experience in the pharmaceutical industry and prior to joining Novogen in 1999 was Finance Director of GlaxoWellcome Australia Limited, Mr Seaton was also Finance Director of Wellcome Australia Limited prior to its merger with Glaxo in 1995.

Appointment and Removal of directors

The By-Laws provide that the number of directors be appointed by the Board.

Under the Certificate of Incorporation and By-Laws, Directors are appointed at the Annual General Meeting for a term of three years unless the director is removed, retires or the office is vacated earlier. Retirement will occur on a rotational basis so that one third (or if that number is not a whole number, the whole number nearest one third) of directors will retire at each annual general meeting.

A Director may retire at any time. The resignation is effective on receipt of notice by MEI. Any or all Directors may be removed with or without cause by a resolution of shareholders entitled to vote to elect directors.

Vacancies may be filled by resolution of a majority of Directors then in office or by a sole remaining Director, and any Director so elected shall serve the remainder of the full term of the class of directors in which the vacancy occurred.

Audit Committee

The Audit Committee is responsible for overseeing MEI's financial and accounting activities, including external audits and accounting functions.

The Audit Committee meets at least twice a year. The Audit Committee's responsibilities include the annual appointment of outside auditors and the review of the scope of audit and non audit assignments and related fees, the accounting principles used in financial reporting, internal auditing procedures and the adequacy of our internal control procedures.

Remuneration Committee

The Remuneration Committee will review the performance of the executive directors and set their remuneration. The Remuneration Committee will also make recommendations to the full Board concerning the allocation of share options to directors and employees. The remuneration and terms of appointment of non-executive directors will be set by the board.

Arrangements and Relationships

There are no arrangements (other than standard employment remuneration arrangements) by which any Director or Executive Officer was appointed to their position. There are no family relationships between any of the Directors or Executive Officers.

Item 11. Executive Compensation

The following table details the nature and amount of each element of the emolument of each Director of Marshall Edwards Inc. during the financial year.

	Annual Emoluments			**Long term Emoluments**		**Total**	**Options Granted**
	Base Fee	Committee Fee	Other	Termination & Similar Payments	Super-annuation		
	$	$	$	$	$	$	Number
PA Johnston	16,166	-	-	-	1,454	17,620	-
C Naughton	-	-	-	-	-	-	-
GE Kelly	-	-	-	-	-	-	-
PJ Nestel	17,620	-	-	-	-	17,620	-
DM de Kretse	16,166	-	-	-	1,454	17,620	-
	49,952	-	-	-	2,908	52,860	-

Mr Johnston, Dr Kelly, Professor Nestel and Mr Naughton are all Directors of Novogen Limited, MEI's ultimate parent company. Dr Kelly and Mr Naughton are Executive Directors of Novogen Limited and do not receive any remuneration directly from MEI in performing their duties as directors of MEI. At the present time, their services are provided within the costs associated with the Services Agreement with Novogen.

Mr Johnston and Professor Nestel are Non-executive Directors of MEI and Novogen. Mr Johnston and Professor Nestel receive directors fees of $A30,000 per annum each from MEI in addition to the fees received from Novogen.

Professor de Kretser is a Non-executive Director of MEI and receives a fee of $A30,000 per annum directly from MEI.

As Stephen Breckenridge was appointed as a director from the 1st August 2003 no fees were paid during the financial period.

No Director has received or become entitled to receive, during or since the end of the fiscal year, a benefit because of a contract made by MEI, a controlled entity, a related body corporate a firm of which a director is a member or an entity in which a director has a substantial financial interest.

Executive Officer of Marshall Edwards Inc.

Mr Seaton is the Chief Financial Officer of Novogen Limited and does not receive any remuneration directly from MEI in performing his duties as Company Secretary of MEI. At the present time, his services are provided within the costs associated with the Services Agreement with Novogen.

Item 12. Security Ownership of certain Beneficial Owners and Management.

MEI's ultimate parent company is Novogen Limited, an Australian company listed on the Australian Stock Exchange and NASDAQ. Novogen Limited owns 95.1% of the issued shares of common stock of MEI. Novogen Limited's registered office is at 140 Wicks Road, North Ryde, NSW, Australia, 2113.

Item 13. Certain Relationships and Related Transactions

There were no transactions with Directors or Director-related entities during the year

For discussion regarding the agreements with Novogen refer to Item 1 – Business.

Marshall Edwards, Inc.
(A Development Stage Company)

Consolidated Financial Statements

June 30, 2003

Contents

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Marshall Edwards, Inc.

We have audited the consolidated balance sheets of Marshall Edwards, Inc. (a development stage company) as of June 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows and for the years then ended and for the period from December 21, 2000 (inception) through June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marshall Edwards, Inc. at June 30, 2003 and 2002, and the consolidated results of its operations and its cash flows for the years then ended and the period from December 21, 2000 (inception) through June 30, 2003, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

August 27, 2003

Marshall Edwards, Inc
(A Development Stage Company)

Consolidated Balance Sheet

	June 30 2003	2002
	(in thousands $)	
Assets		
Current Assets		
Cash and cash equivalents	**7,244**	9,164
Prepaid expenses and other current assets	**42**	21
Total Current Assets	**7,286**	9,185
Total Assets	**7,286**	9,185
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable	**1,353**	286
Total Current Liabilities	**1,353**	286
Shareholders' equity:		
Preferred stock, $0.01 par value, authorized 100,000 shares, none outstanding	**-**	-
Common stock, $ 0.00000002 par value, 113,000,000 authorized shares; 52,032,000 and 52,023,000 issued and outstanding shares in 2003 and 2002, respectively	**-**	-
Additional paid in capital	**9,058**	9,022
Deficit accumulated during development stage	**(3,156)**	(123)
Accumulated other comprehensive income	**31**	-
Total shareholders' equity	**5,933**	8,899
Total Liabilities and shareholders' equity	**7,286**	9,185

See accompanying notes.

Marshall Edwards, Inc
(A Development Stage Company)

Consolidated Statement of Operations

	Year ended June 30		Period from December 21, 2000 through June 30
	2003	**2002**	**2003**
	(in thousands $)		
Revenues			
Interest and other Income	**145**	7	152
Total revenues	**145**	7	152
Operating expenses:			
Research and devolpment	**(2,024)**	(69)	(2,093)
License Fees	**(500)**	-	(500)
Selling, general and administration	**(654)**	(60)	(714)
Total operating expenses	**(3,178)**	(129)	(3,307)
Loss from operations	**(3,033)**	(122)	(3,155)
Income tax expense	**-**	(1)	(1)
Net loss arising during development stage	**(3,033)**	(123)	(3,156)
Net loss per common share:			
- Basic and diluted	**(0.058)**	(0.002)	N/A
Weighted Average common shares outstanding	**52,023,247**	49,769,581	N/A

See accompanying notes.

Marshall Edwards, Inc.
(A Development Stage Company)

Consolidated Statement of Shareholders' Equity

For the Years Ended June 30, 2003 and 2002

	Common Stock	Additional paid in capital	Deficit accumulated during development stage	Accumulated other comprehensive income	Total
	(shares)		*(in thousands $)*		
Balance June 30, 2001	49,500,000	-	-	-	-
Share Issue May 22, 2002	2,523,000	9,022			9,022
Net loss arising during development stage			(123)		(123)
Balance at June 30, 2002	**52,023,000**	**9,022**	**(123)**	**-**	**8,899**
Net loss arising during development stage			**(3,033)**		**(3,033)**
Translation adjustments				**31**	**31**
Comprehensive Loss					**(3,002)**
Share Issue June 26, 2003	**9,000**	**36**			**36**
Balance at June 30, 2003	**52,032,000**	**9,058**	**(3,156)**	**31**	**5,933**

See accompanying notes.

Marshall Edwards, Inc.
(A Development Stage Company)

Consolidated Statement of Cash Flows

	Year ended June 30		Period from December 21, 2000 through June 30
	2003	**2002**	**2003**
	(in thousands $)		
Operating Activities			
Net Loss arising during development stage	**(3,033)**	(123)	(3,156)
Adjustments to reconcile net loss to cash provided by operating activities:			
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	**(21)**	(21)	(42)
Accounts payable	**1,067**	286	1,353
Net cash (used in) provided by operating activities	**(1,987)**	142	(1,845)
Financing Activities			
Net proceeds from issuance of common stock	**36**	9,022	9,058
Net cash provided by financing activities	**36**	9,022	9,058
Effect of exchange rate changes on cash and cash equivalents	**31**	-	31
Net (decrease) increase in cash and cash equivalents	**(1,920)**	9,164	7,244
Cash and cash equivalents at beginning of period	**9,164**	-	-
Cash and cash equivalents at end of period	**7,244**	9,164	7,244
Income taxes paid	**-**	1	1

See accompanying notes.

Marshall Edwards, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

June 30, 2003

1. Organization and Basis of Preparation of Financial Statements

Marshall Edwards, Inc. (the "Company") is a development stage company incorporated in December 2000 that commenced operations in May 2002 coinciding with its listing on the London Stock Exchange's Alternative Investment Market (AIM). In connection with its listing, 2,523,000 shares of common stock and 2,523,000 warrants, exercisable prior to November 30, 2003 at an exercise price of $4.00 per share, were issued in May 2002. Total proceeds of $9,022,000 were received net of $1,070,000 of transaction costs. Following the listing, Novogen Limited, an Australian pharmaceutical company listed on both the Australian Stock Exchange and NASDAQ, retained 95.2% of the Company's common stock.

The Company, including an Australian subsidiary, Marshall Edwards Pty. Limited ("MEPL") (together the "MEI Group") is a pharmaceutical company with a primary focus on oncology drugs. The Company plans to develop phenoxodiol for use in a wide range of human cancers. The Company operates primarily in Australia and the United States.

Novogen Limited and its subsidiary companies (together the "Novogen Group") has granted to the MEI Group an exclusive license under its patent applications and the intellectual property rights in the relevant know-how to develop, market and distribute all forms of administering phenoxodiol for anti cancer uses except topical applications. In addition, the MEI Group has the option of an exclusive first right and an exclusive last right to match any proposal dealing with third parties by Novogen Research Pty Ltd for the intellectual property rights and development of other anti cancer drugs in the agreed dose forms derived from the Novogen library of compounds.

The MEI Group's initial business focus is to continue the clinical program currently under way for the development of phenoxodiol.

2. Accounting Policies

Revenue Recognition

Interest

The only revenue earned to date is interest on cash balances.

2. Accounting Policies (continued)

Principles of Consolidation

The consolidated financial statements include the accounts of Marshall Edwards, Inc. and its subsidiary, Marshall Edwards Pty Limited which is a wholly owned Australian company. Significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost or net realizable value. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes

Income taxes have been provided for using the liability method in accordance with FASB Statement No. 109, “Accounting for Income Taxes.” Under this method, deferred tax assets and liabilities are recognized and measured using enacted tax rates in effect for the year in which the differences are expected to be recognized. Valuation allowances are established against the recorded deferred income tax assets to the extent that management believes that it is more likely than not that a portion of the deferred income tax assets are not relizable.

Fair Value of Financial Instruments

The carrying amounts of the Company’s financial instruments, including cash and cash equivalents and accounts payable approximate fair value.

2. Accounting Policies (continued)

Foreign Currency Translation

The financial statements of MEPL have been translated into U.S. dollars in accordance with FASB Statement No. 52, “Foreign Currency Translation.” Assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Accumulated other comprehensive loss includes the cumulative translation adjustments. Realized gains and losses from foreign currency transactions are reflected in the consolidated statements of operations and were not significant for all periods presented.

Research and Development Expenses

Research and development expenses relate primarily to the cost of conducting human clinical trials of phenoxodiol. Research and development costs are charged to expense as incurred.

Stock-Based Compensation

The Company’s stock option plan provides for the grant of options to employees of the Novogen Group. To date no options have been issued under the plan.

Basic and Diluted Loss Per Share

Basic and diluted earnings or loss per share is calculated in accordance with FASB Statement No. 128, “Earnings Per Share.” In computing basic earnings or loss per share, the dilutive effect of stock options are excluded, whereas for diluted earnings per share they are included unless the effect is anti-dilutive.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive loss. Other comprehensive loss includes certain changes in shareholders’ equity that are excluded from net loss and include changes in foreign currency translation adjustments. Comprehensive loss for all periods presented has been reflected in the Consolidated Statement of Shareholders’ Equity.

3. Income Taxes

Loss from operations consists of the following jurisdictions:

	Year ended June 30	
	2003	**2002**
	(in thousands $)	
Domestic	**(186)**	(19)
Foreign	**(2,847)**	(103)
	(3,033)	(122)

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense attributable to loss arising during development stage is:

	Year ended June 30			
	2003		**2002**	
	(in thousands $)	%	*(in thousands $)*	%
Tax at US statutory rates	**(1,062)**	**35**	(43)	35
Australian tax	**-**	**-**	1	-
Valuation allowance	**1,062**	**(35)**	43	(35)
	-	**-**	1	**-**

Deferred tax liabilities and assets are comprised of the following:

	Year ended June 30	
	2003	**2002**
	(in thousands $)	
Deferred tax liabilities		
Prepayments	**-**	4
Total deferred tax liabilities	**-**	4
Deferred tax assets		
Consultant and other accruals	**265**	6
Total deferred tax assets	**265**	6
Valuation allowance for deferred tax assets	**(265)**	(2)
Net deferred tax assets and liabilities	**-**	-

Management evaluates the recoverability of the deferred tax asset and the amount of the required valuation allowance. Due to the uncertainty surrounding the realization of the tax deductions in future tax returns, the Company has recorded a valuation allowance against its net deferred tax asset at June 30, 2003 and 2002. At such time as it is determined that it is more likely than not that the deferred tax assets will be realized, the valuation allowance will be reduced.

There was no benefit from income taxes recorded for the period from December 1, 2000 (inception) to June 30, 2003 due to the Company's inability to recognize the benefit of net operating losses. The Company had federal net operating loss carry forwards of approximately $205,000 and $14,000 at June 30, 2003 and 2002, respectively. The federal net operating losses will begin to expire in 2022.

3. Income Taxes (continued)

Foreign tax losses of approximately $2,039,000 and $103,000 at June 30, 2003 and 2002, respectively, can be carried forward indefinitely.

4. Loss Per Share

The following table sets forth the computation of basic and diluted net loss per common share:

	Year ended June 30	
	2003	**2002**
	(in thousands $)	
Numerator		
Net loss arising during development stage	(3,033)	(123)
Effect of dilutive securities	-	-
Numerator for diluted earnings per share	(3,033)	(123)
Denominator		
Denominator for basic earnings per share - weighted-average shares	52,023,247	49,769,581
Effect of dilutive securities	-	-
Dilutive potential common shares	52,023,247	49,769,581

5. Financial Instruments

The fair value of financial assets and liabilities approximates their carrying value in the Consolidated Balance Sheets because they are short term and at market rates of interest.

6. Expenditure Commitments

At June 30, 2003, the Company has contracted to conduct research and development expenditures of approximately $1,249,000. Such amounts are expected to be incurred within the next year.

7. Segment Information

The company's focus is to continue the clinical program currently underway for the development of phenoxodiol.

	USA		Australia		Eliminations		TOTAL	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	(in thousands $)							
Interest and other income	110	5	35	2	-	-	145	7
Total revenues	110	5	35	2	-	-	145	7
Loss from operations	(186)	(19)	(2,847)	(103)	-	-	(3,033)	(122)
Income tax expense							-	(1)
Net loss arising during development stage							(3,033)	(123)
Segment assets	8,896	9,188	374	1,981	(1,984)	(1,984)	7,286	9,185
Segment liabilities	43	185	1,310	101	-		1,353	286

8. Related Party Transactions

License Agreement

The License Agreement is an agreement under which Novogen grants to MEPL a worldwide non-transferable license to conduct clinical trials and commercialize and distribute all forms of phenoxodiol except topical applications. The agreement covers uses of phenoxodiol in the field of prevention, treatment or cure of cancer in humans. The license is exclusive until the expiration of the last relevant Novogen patent right in the world and thereafter is nonexclusive. The Company or Novogen may terminate the agreement with three months notice. Amounts payable to Novogen under terms of the license agreement is as follows:

1. A lump sum license fee of $5,000,000 is payable to Novogen on November 1, 2002 or later on the date when the cumulative total of all funds received from debt or equity issuances and revenue received from commercialization (income other than sales) and sales of phenoxodiol products exceeds $25,000,000.
2. A lump sum license fee of $5,000,000 is payable to Novogen on November 1, 2003 or later on the date when the cumulative total of all funds received from debt or equity issuances and revenue received from commercialization (income other than sales) and sales of phenoxodiol products exceeds $50,000,000.

In addition to the amounts above, the Company must pay Novogen 2.5 % of all net sales and 25% of commercialization income. After the exclusivity period of the license, 1.5% of net sales must be paid to Novogen.

Amounts payable for milestone license fees under the License Agreement for the calendar years ended December 31 are as follows:

Calendar Year	
2003	1,000,000
2004	2,000,000
2005	4,000,000
Each calendar year thereafter	8,000,000

Any amounts payable to Novogen under the above milestone payments will be reduced for amounts paid under the lump sum license fee requirements above. For the year ended June 30, 2003, $500,000 has been included as license fee expense in the Consolidated Statement of Operations.

License Option Deed

The License Option Deed grants MEPL an exclusive right to accept and an exclusive right to match any proposed third-party dealing by Novogen of its intellectual property rights in other synthetic compounds that have known or potential anti-cancer applications in all forms other than topical applications.

Services Agreement

Neither MEI nor MEPL currently intends to directly employ any staff and Novogen will provide or procure services reasonably required by the MEI Group relating to the development and commercialization of phenoxodiol. Novogen will provide these services at cost plus a 10% markup. The Company may terminate the agreement with three months notice.

Manufacturing License and Supply Agreement

Under the terms of the Manufacturing License and Supply Agreement, Novogen will supply phenoxodiol in its primary manufactured form for the clinical trial development program and phenoxodiol's ultimate commercial use. Novogen will supply phenoxodiol at cost plus a 50% markup. The Company or Novogen may terminate the agreement at any time.

Transactions amounting to $1,363,032 and $87,603 were made under the Services Agreement and the Manufacturing License and Supply Agreement with Novogen during the financial years ended June 30, 2003 and 2002, respectively, and $141,749 and $87,603 are included in accounts payable at June 30, 2003 and 2002, respectively.

Signatures

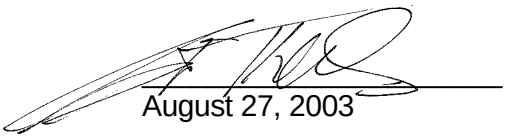
The registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

Marshall Edwards Inc.

August 27, 2003

Christopher Naughton, President & CEO

Pursuant to the requirements of the Alternative Investment Market, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

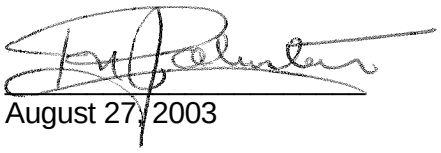


August 27, 2003

Graham Kelly, Chairman

August 27, 2003

Christopher Naughton, President & CEO



August 27, 2003

Philip Johnston, Director

August 27, 2003

David Seaton, Company Secretary & CFO