UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended March 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 000-50484

Marshall Edwards, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**51-0407811**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

140 Wicks Road, North Ryde, NSW, 2113 Australia
(Address of principal executive offices) (Zip Code)

(011) 61 2 8877- 6196
Registrant's telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of April 30, 2004, the number of shares outstanding of the issuer's common stock, $0.00000002 par value, was 56,938,000.

MARSHALL EDWARDS, INC.

INDEX

PART I FINANCIAL INFORMATION
Item 1: Financial Statements

MARSHALL EDWARDS, INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(unaudited)

	March 31, 2004	June 30, 2003
	(unaudited)	(Note 1)
ASSETS		
Current assets		
Cash and cash equivalents	**$ 25,546**	**$ 7,244**
Prepaid expenses and other current assets	**14**	**42**
Total current assets	**25,560**	**7,286**
Total assets	**$ 25,560**	**$ 7,286**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 140**	**$ 433**
Accrued expenses	**440**	**278**
Amount due to parent company	**837**	**642**
Total current liabilities	**1,417**	**1,353**
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 100,000 shares, none outstanding	**—**	**—**
Common stock, $0.00000002 par value, 113,000,000 authorized shares; shares issued and outstanding: 56,938,000 at March 31, 2004 and 52,032,000 at June 30, 2003	**—**	**—**
Additional paid-in capital	**34,636**	**9,058**
Deficit accumulated during development stage	**(10,493)**	**(3,156)**
Accumulated other comprehensive income	**—**	**31**
Total stockholders' equity	**24,143**	**5,933**
Total liabilities and stockholders' equity	**$ 25,560**	**$ 7,286**

See accompanying notes.

MARSHALL EDWARDS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,		Period from December 1, 2000 (Inception) through March 31,
	2004	2003	2004	2003	2004
Revenues:					
Interest and other income	**$ 75**	$ 36	**$ 121**	$ 115	$ 273
Total revenues	**75**	36	**121**	115	273
Operating expenses:					
Research and devolpment	**(690)**	(532)	**(1,819)**	(1,527)	(3,912)
License fees	**(500)**	—	**(5,000)**	—	(5,500)
Selling, general and administrative	**(405)**	(140)	**(686)**	(446)	(1,373)
Foreign exchange gains(losses)	**(21)**	39	**47**	12	20
Total operating expenses	**(1,616)**	(633)	**(7,458)**	(1,961)	(10,765)
Loss from operations	**(1,541)**	(597)	**(7,337)**	(1,846)	(10,492)
Income tax expense	**—**	—	**—**	—	(1)
Net loss arising during development stage	**$ (1,541)**	$ (597)	**$ (7,337)**	$ (1,846)	$(10,493)
Net loss per common share:					
Basic and diluted	**$ (0.027)**	$ (0.011)	**$ (0.136)**	$ (0.035)	
Weighted average common shares outstanding	**56,938,000**	52,023,000	**54,098,411**	52,023,000	

See accompanying notes.

MARSHALL EDWARDS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended March 31, 2004	Nine Months Ended March 31, 2003	Period from December 1, 2000 (Inception) through March 31, 2004
Operating activities			
Net loss arising during development stage	**(7,337)**	(1,846)	(10,493)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	**28**	(3)	(14)
Accounts payable	**(292)**	433	144
Accrued expenses	**162**	—	578
Amounts due to parent company	**195**	—	695
Net cash used in operating activities	**(7,244)**	(1,416)	(9,090)
Financing activities			
Net proceeds from issuance of Common Stock	**25,577**	—	34,636
Net cash provided by financing activities	**25,577**	—	34,636
Effect of exchange rate changes on cash and cash equivalents	**(31)**	—	—
Net increase (decrease) in cash and cash equivalents	**18,302**	(1,416)	25,546
Cash and cash equivalents at beginning of period	**7,244**	9,164	—
Cash and cash equivalents at end of period	**25,546**	7,748	25,546
Income taxes paid	**—**	1	1

See accompanying notes.

MARSHALL EDWARDS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock	Additional paid in capital	Deficit accumulated during development stage	Accumulated other comprehensive income/(loss)	Total
	(shares)				
Balance at June 30, 2003	52,032,000	$ 9,058	$ (3,156)	$ 31	$ 5,933
Net loss from operations for the nine months to March 31, 2004			**(7,337)**		**—** **(7,337)**
Foreign currency translation adjustments				**(31)**	**(31)**
Comprehensive Loss					**(7,368)**
Common Stock issued November 30, 2003	**2,514,000**	**10,056**			**10,056**
Common Stock issued December 18, 2003 (including 2,392,000 warrants)	**2,392,000**	**15,522**			**15,522**
Balance at March 31, 2004	**56,938,000**	**$34,636**	**$(10,493)**	**$ —**	**$24,143**

See accompanying notes.

MARSHALL EDWARDS, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2004

1. Organization and Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Marshall Edwards, Inc. ("MEI") believes all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004 or any other period. The balance sheet at June 30, 2003 has been derived from the audited financial statements at that date. The financial statements and notes should be read in conjunction with the audited financial statements for the year ended June 30, 2003 which were included in the MEI's Amendment No. 3 to Form S-1 filed December 10, 2003.

MEI is a development stage company incorporated in December 2000 as a wholly-owned subsidiary of Novogen Limited, an Australian pharmaceutical company. MEI commenced operations in May 2002. MEI, including its wholly-owned Australian subsidiary, Marshall Edwards Pty. Limited ("MEPL") (together the "Company") is a pharmaceutical company with a primary focus on the development and commercialization of drugs for the treatment of cancer. The Company is presently engaged in the clinical development and commercialization of a drug candidate called phenoxodiol. The Company intends 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 certain of its subsidiary companies (collectively "Novogen"), have granted to the Company a worldwide, non transferable license under their patent and patent applications and in their know-how to conduct clinical trials and commercialize and distribute all forms of delivering phenoxodiol in the field of prevention, treatment and cure of cancer in humans except topical applications. In addition, the Company has an exclusive first right and an exclusive last right to match any proposed dealing by Novogen of its intellectual property rights with a third party relating to synthetic pharmaceutical compounds (other than phenoxodiol), that have known or potential applications in the field of prevention, treatment or cure of cancer in humans all forms other than topical applications.

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

In May 2002, the Company sold 2,523,000 shares of its common stock and 2,523,000 warrants, raising proceeds of $9,022,000, net of $1,070,000 of transaction costs. The warrants were exercisable prior to November 30, 2003 at an exercise price of $4.00 per share. The common stock was listed for trading on the London Stock Exchange's Alternative Investment Market ("AIM"). Following the listing, Novogen Limited retained 95.1% of the Company's common stock.

In June 2003, 9,000 warrants were exercised, resulting in proceeds to the Company of $36,000. In November 2003 the remaining 2,514,000 warrants were exercised at an exercise price of $4.00 per share resulting in proceeds to the Company of $10,056,000.

In December 2003, the Company sold 2,392,000 common stock units at a public offering price of $7.50 per unit. Each common stock unit consisted of:

- one share of common stock; and
- one warrant to purchase a share of common stock, exercisable prior to December 18, 2006 at an exercise price equal to $9.00.

In connection with the December 2003 offering, the Company's common stock and warrants commenced trading separately on the Nasdaq National Market. The Company received proceeds of $15,522,000, net of $2,418,000 transaction costs in the December 2003 offering. Following the offering, Novogen Limited retained 86.9% of the Company's common stock.

2. Accounting Policies

Revenue Recognition

Interest

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

Principles of Consolidation

The consolidated financial statements include the accounts of Marshall Edwards, Inc. and its wholly-owned subsidiary, Marshall Edwards Pty. Limited. 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 nominal value. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Substantially all of the Company's cash is deposited in financial institutions that are FDIC insured. These deposits are in excess of the FDIC insurance limits.

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 realizable.

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.

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 periods. Realized gains and losses from foreign currency transactions are reflected in the consolidated statements of operations.

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 the Company’s directors, employees, employees of the Company’s affiliates and certain of the Company’s contractors and consultants. 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 Stockholders’ Equity that are excluded from net loss. Comprehensive loss for all periods presented has been reflected in the Consolidated Statement of Stockholders’ Equity.

3. Loss Per Share

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
	(In Thousands, except share data)			
Numerator				
Net loss arising during development stage	(1,541)	(597)	(7,337)	(1,846)
Effect of dilutive securities	—	—	—	—
Numerator for diluted earnings per share	(1,541)	(597)	(7,337)	(1,846)
Denominator				
Denominator for basic earnings per share - weighted-average shares	56,938,000	52,023,000	54,098,411	52,023,000
Effect of dilutive securities	—	—	—	—
Dilutive potential common shares	56,938,000	52,023,000	54,098,411	52,023,000

4. 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.

5. Expenditure Commitments

At March, 31, 2004, the Company had contracted to conduct research and development expenditures of approximately $2,460,000. Of the expenditure commitments, clinical trial amounts are based on the assumption that all patients enrolled in clinical trials will complete the maximum number of allowed treatment cycles. The amounts, assuming all treatment cycles are completed, are expected to be incurred as follows: $340,000 in the fiscal year ended June 30, 2004, $1,698,000 in the fiscal year ended June 30, 2005 and $422,000 in the fiscal year ended June 30, 2006. No amounts have been included for future payments to Novogen which may arise in connection with the license agreement, the services agreement or the manufacturing license and supply agreement. Payments in connection with these agreements are detailed in Note 7 “Related Party Transactions”

6. Segment Information

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

	Three Months Ended March 31, 2004		Three Months Ended March 31, 2003	
	USA	Australia	USA	Australia
Loss from operations	$ (223)	$(1,318)	$ (28)	$(569)
Segment assets at March 31	24,149	1,411	6,920	133

	Nine Months Ended March 31, 2004		Nine Months Ended March 31, 2003	
	USA	Australia	USA	Australia
Loss from operations	$(274)	$(7,063)	$(99)	$(1,747)

7. Related Party Transactions

License Agreement

The license agreement is an agreement under which Novogen's subsidiary, Novogen Research Pty Limited, grants to MEPL a worldwide non-transferable license under its patent and patent applications and in its know-how to conduct clinical trials and commercialize and distribute phenoxodiol products. The agreement covers uses of phenoxodiol in the field of prevention, treatment or cure of cancer in humans delivered in all forms except topical applications. The license is exclusive until the expiration or lapsing of the last relevant Novogen patents or patent applications in the world and thereafter is nonexclusive. MEPL may terminate the agreement by giving three months' notice to Novogen. MEPL paid $5,000,000 to Novogen in February 2004 which was the first lump sum license fee payment due under the terms of the license agreement. This amount was accrued at December 31, 2003. Future amounts payable to Novogen under terms of the license agreement are as follows:

1. A second lump sum license fee of $5,000,000 is payable to Novogen on November 1, 2003 or such later 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.

2. In addition to the amounts above, until the expiration of the exclusivity period of the license, MEPL 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.

3. Amounts payable for annual milestone license fees under the license agreement for the calendar years ended December 31 are as follows:

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

License Option Deed

The license option deed grants MEPL an exclusive right to accept and an exclusive right to match any proposed dealing by Novogen of its intellectual property rights with a third party relating to synthetic compounds (other than phenoxodiol) that have known or potential applications in the field of prevention, treatment or cure of cancer in humans in all forms other than topical applications.

Services Agreement

The Company does not currently intend to directly employ any staff. Under the terms of the services agreement, Novogen Limited or its subsidiaries have agreed to provide services reasonably required by the Company relating to the development and commercialization of phenoxodiol. Novogen has agreed to provide these services at cost plus a 10% mark-up. The Company may terminate the agreement on three months written notice to Novogen.

Manufacturing License and Supply Agreement

Under the terms of the manufacturing license and supply agreement, MEPL has granted to one of Novogen's subsidiaries an exclusive, non-transferable sub license to manufacture and supply phenoxodiol in its primary manufactured form. Novogen's subsidiary has agreed to supply phenoxodiol to MEPL for the clinical trial development program and phenoxodiol's ultimate commercial use. Novogen will supply phenoxodiol at cost plus a 50% markup.

Transactions amounting to $468,654 and $1,375,110 were made under the services agreement and the manufacturing license and supply agreement with Novogen during the three months and nine months ended March 31, 2004, respectively. At March 31, 2004, $188,364 owed to Novogen is included in accounts payable.

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operation

Special Note Regarding Forward-Looking Statements

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Security Exchange Act of 1934, as amended. All statements other than statements of historical facts contained in this quarterly report, including statements regarding the future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. The Company’s has based these forward-looking statements largely on current expectations and projections about future events and financial trends that it believes may affect financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things:

- Company’s inability to obtain any additional required financing or financing available to the Company on acceptable terms;
- the Company’s failure to successfully commercialize our product candidates;
- costs and delays in the development and/or FDA approval, of the failure to obtain such approval, of the Company’s product candidates;
- uncertainties in clinical trial results;
- the Company’s inability to maintain or enter into, and the risks resulting from our dependence upon, collaboration or contractual arrangements necessary for the development, manufacture, commercialization, marketing, sales and distribution of any products;
- competition and competitive factors;
- the company’s inability to protect its patents or proprietary rights and obtain necessary rights to third party patents and intellectual property to operate its business;
- the Company’s inability to operate its business without infringing the patents and proprietary rights of others;
- general economic conditions;
- the failure of any products to gain market acceptance;
- technological changes;
- government regulation and the receipt of the regulatory approvals;
- changes in industry practice ; and
- one time events.

These risks are not exhaustive. Other sections of this quarterly report may include additional factors which could adversely impact business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. You should not rely upon forward-looking statements as predictions of future events. The Company cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although it believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements.

The following discussion is qualified in its entirety by, and should be read in conjunction with, the more detailed information set forth in financial statements and the notes thereto appearing elsewhere in this report.

Overview

MEI is a development stage company incorporated on December 1, 2000 as a wholly-owned subsidiary of Novogen. The Company commenced operations in May 2002 and its business purpose is the development and commercialization of drugs for the treatment of cancer. The Company is presently engaged in the clinical development of the anti-cancer drug phenoxodiol. Novogen's subsidiary has granted to the Company's subsidiary, a worldwide non-transferable license under its patent right and patent applications and its relevant know-how to conduct clinical trials and commercialize and distribute all forms of phenoxodiol for uses in the field of prevention, treatment, and cure of cancer in humans, except topical applications. Novogen currently owns approximately 86.9% of the outstanding shares of the Company's common stock.

The Company's main focus during fiscal year 2003 and in the nine months to March 31, 2004 was to undertake human clinical testing of phenoxodiol. The Company does not employ any staff directly but obtains services from Novogen under a services agreement. The Company has incurred losses since inception and expects to incur operating losses and generate negative cash flows from operations for the foreseeable future as it expands research and development activities and moves phenoxodiol into later stages of development. As of March 31, 2004, the Company had accumulated losses of $10,493,000.

The Company has not generated any revenues from operations since inception other than interest on cash assets.

Expenses have consisted primarily of costs associated with conducting the clinical trials of phenoxodiol and costs incurred under the license agreement, the services agreement and the manufacturing license and supply agreements with Novogen and its subsidiaries, including the costs of the clinical trial drug supplies.

To date, operations have been funded primarily through the sale of equity securities.

The Company expects that quarterly and annual operating results of operations will fluctuate for the foreseeable future due to several factors including the timing and extent of research and development efforts and the outcome and extent of clinical trial activities. The Company's limited operating history makes accurate prediction of future operating results difficult or impossible.

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.

Clinical Trials Expenses

Estimates have been used in determining the 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.

Clinical trial expenses of $637,000 have been included in the financial statements for the nine months ended March 31, 2004, of which $430,000 has been accrued at March 31, 2004. These estimates are based on the number of patients in each trial and the patient treatment cycle.

Clinical research contracts may vary depending on the clinical trial design and protocol. Generally the costs, and therefore estimates, associated with clinical trial contracts are based on the number of patients, patient treatment cycles, the type of treatment and the outcome being measured. The length of time before actual amounts can be determined will vary depending on length of the patient cycles and the timing of the invoices by the clinical trial partners.

Development Expenses

Research and development costs incurred since inception through March 31, 2004 amount to $3,912,000.

Research and development costs are expensed as they are incurred and are expected to increase in the future as the phenoxodiol clinical program progresses.

Historical research and development costs and clinical trial costs have not been documented on a project by project basis. In addition, research and development resources are supplied by Novogen across several projects. As a result, the costs incurred for each clinical project cannot be stated precisely on a project by project basis.

The Company expects that a large percentage of research and development expenses in the future will be incurred in support of current and future clinical development programs. These expenditures are subject to a number of uncertainties in timing and cost to completion.

The duration and cost of clinical trials may vary significantly over the life of a project as a result of:

- the number of sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that participate in the trials; and
- the efficacy and safety profile of the product.

The Company’s strategy also includes the option of entering into collaborative arrangements with third parties to participate in the development and commercialization of phenoxodiol. In the event third parties have control over the clinical development process, the completion date would largely be under the control of that third party.

As a result of these uncertainties, the Company is unable to determine the duration of or

completion costs for research and development projects or when and to what extent it will receive cash inflows from the commercialization and sale of phenoxodiol.

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

Results of Operations

Three Months Ended March 2004 and 2003

The Company recorded a consolidated loss of $1,541,000 and $597,000 for the three months ended March 2004 and 2003, respectively.

Revenues: The Company received interest on cash assets and cash equivalents of $75,000 for the three months ended March 31, 2004 versus $36,000 for the three months ended March 31, 2003. The increase was due to the Company's higher cash balances following the Company's December 2003 public offering.

Research and Development: Research and Development expenses increased $158,000 to $690,000 for the three months ended March 31, 2004 compared to $532,000 of the three months ended March 31, 2003. The increase was due primarily to the increase in cost of phenoxodiol supplied for use in the clinical trial program. Research and development expenses for the three months ended March 31, 2004 also include an initial payment of $20,000 due on commencement of the cervical cancer clinical trial being conducted at Yale University New Haven Hospital.

License Fees: Milestone license fees of $500,000 have been accrued in the three months ended March 31, 2004 in connection with the annual milestone license fee of $2,000,000 that is payable to Novogen on December 31, 2004 under the terms of the license agreement with Novogen.

Selling, General and Administrative: Selling, administrative and general expenses increased by $265,000 to $405,000 for the three months ended March 31, 2004 compared to $140,000 for the three months ended March 31, 2003. The increase was due primarily to the increase in costs associated with professional and other fees relating to compliance with United States reporting requirements. Other expenses including public relations also increased.

Foreign Exchange Gains/(Losses): Foreign exchange gains/losses occur when revaluing cash denominated in foreign currencies and upon consolidation of MEI's wholly owned Australian subsidiary Marshall Edwards Pty Ltd ("MEPL"), which has U.S. dollars as its functional currency and also engages in transactions in foreign currencies. Further, MEPL's accounts and financial statements are denominated in Australian dollars. Foreign exchange losses were $21,000 for the three months ended March 31, 2004 compared to gains of $39,000 for the three months ended March 31, 2003.

Nine Months Ended March 2004 and 2003

The Company recorded a consolidated loss of $7,337,000 and $1,846,000 for the nine months ended March 31, 2004 and 2003 respectively.

Revenues: The Company received interest of $121,000 on cash assets and cash equivalents for the nine months ended March 31, 2004 versus $115,000 for the nine months ended March 31, 2003 The increase was due to the higher cash balances following the exercise of the

Company's outstanding Warrants in November 2003 and the Company's December 2003 public offering.

Research and Development: Research and Development expenses increased $292,000 to $1,819,000 for the nine months ended March 31, 2004 compared to $1,527,000 of the nine months ended March 31, 2003. The increase was due primarily to the cost of phenoxodiol supplied for use in the clinical trial program which increased due to Novogen's higher production costs and increased dosages.

License Fees: A license fee of $5,000,000 was paid to Novogen in February 2004 under the terms of the license agreement following the exercise of warrants and the receipt of proceeds from the public offering completed in December 2003 of which, $4,500,000 of license fee expense was included in the Consolidated Statement of Operations for the nine months ended March 2004. The remaining $500,000 had been expensed in the fiscal year ended June 30, 2003.

Milestone license fees of $500,000 have been accrued in the three months ended March 31, 2004 in connection with the milestone license fee of $2,000,000 that is payable to Novogen on December 31, 2004 under the terms of the license agreement with Novogen.

Selling, General and Administrative: Selling, administrative and general expenses increased $240,000 to $686,000 for the nine months ended March 31, 2004 compared to $446,000 for the nine months ended March 31, 2003. The increase occurred in the three months ended March 31, 2004 and was due primarily to the increase in the costs associated with professional and other fees relating to compliance with United States reporting requirements. Other expenses including public relations also increased.

Foreign Exchange Gains/(Losses): Foreign exchange gains/losses occur when revaluing cash denominated in foreign currencies and upon consolidation of MEPL, which uses US dollars as its functional currency and also engages transactions in foreign currency. Further, MEPL's accounts and financial statements are denominated in Australian dollars. For the nine months ended March 31, 2004 exchange gains were $47,000 compared to exchange gains of $12,000 for the nine months ended March 31, 2003.

Liquidity and Capital Resources

At March 31, 2004, the Company had cash resources of $25,546,000 compared to $7,244,000 at June 30, 2003. The increase is due almost exclusively to the sale of common stock through the exercise of warrants in November 2003 and as a result of a public offering of common stock units in December 2003. Funds are invested in short term market accounts, pending use. The implementation of the Company's business plan is dependent on the Company's ability to maintain adequate cash resources to complete the clinical development program.

Source and Uses of Cash

Cash Used in Operating Activities

Cash used in operating activities for the nine months ended March 31, 2004 was $7,244,000 compared to $1,416,000 for the same period in 2003. The increase in cash outflow of $5,828,000 for the nine months ended March 31, 2004 included the payment of $5,000,000 to Novogen under the terms of the license agreement. The remaining cash outflow of $828,000 resulted from increased payments of operating expenses including clinical trial costs and drug supplies.

Cash Provided from Financing Activities

Cash provided from financing activities for the nine months ended March 31, 2004 was $25,577,000.

In November 2003, 2,514,000 warrants were exercised at an exercise price of $4.00. These warrants were issued as part of the sale of common stock in May 2002. Proceeds from the exercise of the warrants were $10,056,000.

In December 2003, the Company completed an initial public offering in the United States of 2,392,000 common stock units at an initial public offering price of $7.50 per unit. Each common stock unit consists of:

- one share of common stock; and
- one warrant to purchase a share of common stock at an exercise price equal to $9.00.

The Company intends to use the proceeds of the December 2003 public offering as follows:

- Approximately $1.1 million to commence Phase II clinical trials of phenoxodiol as a monotherapy in earlier stage cancers;
- Approximately $4.2 million to commence Phase II clinical trials of phenoxodiol in combinational therapy with other anti-cancer drugs for late stage chemo-resistant tumors; and
- The balance for other corporate purposes, including potential payments to Novogen under the terms of the license agreement, potential licensing of other cancer compounds developed by Novogen and potential expansion of the clinical trial program for phenoxodiol to include other forms of cancer.

Cash Requirements

Based on current plans, the Company believes that it will have sufficient cash resources to fund operations at least through the end of December 2004 and to complete the current Phase lb/IIa and Phase II clinical trial program, commence Phase II clinical trials of phenoxodiol as a monotherapy in early stage cancer, and to commence Phase II clinical trials of phenoxodiol in combinational therapy with other anti-cancer drugs for late stage chemo resistant tumors. Ongoing operations through the conduct of the clinical trial program will continue to consume cash resources without generating revenues.

If the Phase III clinical program, which is a multi-center study measuring efficacy in a large number of patients is undertaken, additional funds will be required to complete the program. The Company is not able to reasonably estimate at this time either the amount required or when that amount will need to be raised. This will to a large extent be influenced by the number of patients enrolled in the trial, which can only be determined accurately upon completion of Phase II trials. If the Phase II trials are successful the Company will seek to raise the funds required to complete Phase III trials or enter into a collaborative arrangement with a major pharmaceutical company.

The Company must pay amounts to Novogen under the license agreement with Novogen when certain milestones are met. For details of the amounts payable see note 7 to the Financial Statements “Related Party Transactions”, included under Item 1.

The Company does not intend to incur any significant capital expenditures in the foreseeable future.

Contractual obligations

The following table summarizes our future payment obligations and commitments as of March 31, 2004:

(In thousands)	Payment due by period				
Contractual Obligations	**Total**	**less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
Long Term Debt Obligations	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	—
Operating Lease Obligations	—	—	—	—	—
Purchase Obligations	$3,468	$2,666	$802	$ —	$ —
Other Long-term Lease Liabilities Reflected on the Balance Sheet under GAAP	—	—	—	—	—
Total	$3,468	$2,666	$802	$ —	$ —

Off-Balance Sheet Arrangements

The Company does not currently have any off-balance sheet arrangements.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company places cash in “on call” deposits with high quality financial institutions.

The Company does not consider the effects of interest rate movements to be a material risk to its financial condition. The Company does not use derivative financial instruments to hedge its risks associated with the fluctuations of interest rates.

Foreign Currency Risk

The Company conducts a portion of its business in various currencies, primarily in U.S. and Australian dollars. At March 31, 2004, the Company had not established a foreign currency hedging program. Net foreign exchange gains during the nine months ended March 31, 2004 were $47,000 compared with net exchange gains of $12,000 during the nine months ended March 31, 2003. Foreign exchange gains and losses occur upon consolidation of MEPL which uses U.S. dollars as its functional currency and also engages in transactions in foreign currencies. MEPL’s accounts are denominated in Australian dollars.

The Company does not consider the effects of foreign currency movements to be a material risk to its financial condition.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this report, the Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were designed and were functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Controls

There were no changes in the Company's internal controls over financial reporting during the three months ended March 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

The Company believes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II OTHER INFORMATION

Item 2: Changes in Securities and Use of Proceeds

(d) The effective date of the registration statement (Registration No. 333-109129) filed on Form S-1 and registration statement (Registration No. 333-111291) filed on Form S-1 pursuant to Rule 462(b), both relating to the initial public offering in the United States of common stock units (each unit consisting of one share of the Company's common stock and one warrant to purchase a share of the Company's common stock at an exercise price of $9.00 per share), was December 17, 2003. Proceeds to the Company from the offering, after deduction of underwriting discounts and commissions of approximately $806,000 and offering costs of approximately $1,612,000, totalled approximately $15,522,000. As of March 31, 2004, the Company had used $6,758,000 of the proceeds of the offering of which, $5,000,000 was used to make the first license fee payment due to Novogen under the terms of the license agreement and $1,758,000 was used to pay the ongoing expenses of clinical trials., amounts due to Novogen under the services agreement and the manufacturing license and supply agreement and general corporate expenses. All remaining proceeds of the offering have been invested in short-term money market accounts.

The Company intends to use the amount invested in short-term money market accounts as follows:

- Approximately $1.1 million to commence Phase II clinical trials of phenoxodiol as a monotherapy in earlier stage cancers;
- Approximately $4.2 million to commence Phase II clinical trials of phenoxodiol in combinational therapy with other anti-cancer drugs for late stage chemo-resistant tumors; and
- The balance for other corporate purposes, including potential payments to Novogen under the terms of the license agreement, potential licensing of other cancer compounds developed by Novogen and potential expansion of the clinical trial program for phenoxodiol to include other forms of cancer.

The occurrence of unforeseen events, opportunities or changed business conditions, however, could cause us to use the net proceeds of the U.S. initial public offering in a manner other than as described above.

Item 6: Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit Index

Exhibits	
3.1	Amended and Restated Certificates of Incorporation. (1)
3.2	Amended and Restated Bylaws. (1)
4.2	Specimen Stock Certificate. (1)
31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a)
32	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C 1350).

(1) Incorporated by reference to exhibits to the Registration Statement on Form S-1 filed on December 18, 2003, as amended (Reg. No. 333-109129).

(b) The Company did not file any reports on Form 8-K during the three months ended March 31, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARSHALL EDWARDS, INC.

/s/ DAVID SEATON

David R. Seaton
Chief Financial Offer
(Duly Authorized Officer and Principal Financial Officer)

Date: May 12, 2004

Exhibit 31.1

CERTIFICATION

I, Christopher Naughton, certify that:

1. I have reviewed this report on Form 10-Q of Marshall Edwards, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within the entities, particularly during the period in which this report is being prepared:

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in the report our conclusions about the effectiveness of this disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2004

/s/ CHRISTOPHER NAUGHTON
Christopher Naughton
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David Ross Seaton, certify that:

1. I have reviewed this report on Form 10-Q of Marshall Edwards, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within the entities, particularly during the period in which this report is being prepared:

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in the report our conclusions about the effectiveness of this disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2004

/s/ DAVID SEATON
David R. Seaton
Chief Financial Officer

Exhibit 32

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Christopher Naughton, the President and Chief Executive Officer of Marshall Edwards, Inc. (the "registrant"), and David R. Seaton, the Chief Financial Officer of the registrant, each hereby certifies that, to his or her knowledge:

1. The registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2004, to which this Certification is attached as Exhibit 32 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the registrant at the end of the period covered by the Periodic Report and results of operations of the registrant for the period covered by the Periodic Report.

These certifications accompany the Form 10-Q to which they relate, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Dated: May 12, 2004

/s/ CHRISTOPHER NAUGHTON

Christopher Naughton
Chief Executive Officer

/s/ DAVID SEATON

David R. Seaton
Chief Financial Officer