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 quarterly period ended March 31, 2006

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange

Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer **[X]**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No **[X]**

As of April 30, 2006 the number of shares outstanding of the issuer's common stock, $0.00000002 par value, was 56,938,000.

MARSHALL EDWARDS, INC.

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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)

	March 31, 2006 (unaudited)	June 30, 2005
ASSETS		
Current assets		
Cash and cash equivalents	**$ 12,863**	**$ 9,238**
Short term investments	**-**	**10,000**
Prepaid expenses and other current assets	**461**	**126**
Total current assets	**13,324**	**19,364**
Total assets	**$ 13,324**	**$ 19,364**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 140**	**$ 254**
Accrued expenses	**540**	**403**
Amount due to related company	**2,956**	**2,186**
Total current liabilities	**3,636**	**2,843**
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, 2006 and 56,938,000 at June 30, 2005	**-**	**-**
Additional paid-in capital	**34,636**	**34,636**
Deficit accumulated during development stage	**(24,948)**	**(18,115)**
Total stockholders' equity	**9,688**	**16,521**
Total liabilities and stockholders' equity	**$ 13,324**	**$ 19,364**

See accompanying notes to the consolidated financial statements.

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,
	2006	**2005**	**2006**	**2005**	**2006**
Revenues:					
Interest and other income	**$ 101**	$ 71	**$ 353**	$ 202	$ 1,006
Total revenues	**101**	71	**353**	202	1,006
Operating expenses:					
Research and development	**(1,033)**	(494)	**(2,088)**	(1,476)	(8,841)
License fees	**(2,000)**	(1,000)	**(4,000)**	(2,000)	(13,000)
Selling, general and administrative	**(320)**	(317)	**(1,098)**	(1,071)	(4,112)
Total operating expenses	**(3,353)**	(1,811)	**(7,186)**	(4,547)	(25,953)
Loss from operations	**(3,252)**	(1,740)	**(6,833)**	(4,345)	(24,947)
Income tax expense	**-**	-	**-**	-	(1)
Net loss arising during development stage	**$ (3,252)**	$ (1,740)	**$ (6,833)**	$ (4,345)	$ (24,948)
Net loss per common share:					
Basic and diluted	**$ (0.06)**	$ (0.03)	**$ (0.12)**	$ (0.08)	
Weighted average common shares outstanding	**56,938,000**	56,938,000	**56,938,000**	56,938,000	

See accompanying notes to the consolidated financial statements.

MARSHALL EDWARDS, INC.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended March 31,		Period from December 1, 2000 (Inception) through March 31,
	2006	**2005**	**2006**
Operating activities			
Net loss arising during development stage	**$ (6,833)**	$ (4,345)	$ (24,948)
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	**(335)**	(240)	(461)
Accounts payable	**(114)**	61	140
Accrued expenses	**137**	(128)	540
Amounts due to related company	**770**	64	2,956
Net cash used in operating activities	**(6,375)**	(4,588)	(21,773)
Financing activities			
Proceeds from issuance of common stock	**-**	-	34,636
Proceeds from disposal of investments in short-term deposits	**10,000**	-	-
Net cash provided by financing activities	**10,000**	-	34,636
Net increase (decrease) in cash and cash equivalents	**3,625**	(4,588)	12,863
Cash and cash equivalents at beginning of period	**9,238**	24,819	-
Cash and cash equivalents at end of period	**$ 12,863**	$ 20,231	$ 12,863

See accompanying notes to the consolidated financial statements.

MARSHALL EDWARDS, INC.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Common Stock *(shares)*	Additional paid in capital	Deficit accumulated during development stage	Total
Balance at June 30, 2005	**56,938,000**	**$ 34,636**	**$ (18,115)**	**$ 16,521**
Net loss arising during development stage			**(6,833)**	**(6,833)**
Comprehensive Loss				**(6,833)**
Balance at March 31, 2006	**56,938,000**	**$ 34,636**	**$ (24,948)**	**$ 9,688**

See accompanying notes to the consolidated financial statements.

MARSHALL EDWARDS, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2006

1. The Company and Summary of Significant Accounting Policies

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, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2006 or any other period. The balance sheet at June 30, 2005 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 and notes thereto for the year ended June 30, 2005 which were included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2005.

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 number 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 an exclusive worldwide, non transferable license under their patents and patent applications and in their know-how to conduct clinical trials and commercialize and distribute all forms of administering 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 in 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.

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 on 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.

Revenue Recognition

Interest

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

Cash and Cash Equivalents and Short Term Investments

Cash on hand and in banks and short-term deposits are stated at their nominal value. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Highly liquid investments with stated maturities of greater than three months are classified as short-term investments. The Company's cash, held in the U.S., is deposited in financial institutions that are FDIC insured. These deposits are in excess of the FDIC insurance limits. The Company also holds cash with Australian financial institutions.

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.

Translation of MEPL's Financial Statements into U.S dollars does not have a material impact on the Company's financial position.

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.

License Fees

Costs incurred related to the acquisition or licensing of products that have not yet received regulatory approval to be marketed, or that are not commercially viable and ready for use or have no alternative future use, are charged to earnings in the period 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. Since the Company has a loss for all periods presented, diluted and basic earnings per share are the same.

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.

2. 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,	
	2006	2005	2006	2005
	(In Thousands, except share and per share data)			
Numerator				
Net loss arising during development stage	(3,252)	(1,740)	(6,833)	(4,345)
Effect of dilutive securities	-	-	-	-
Numerator for diluted earnings per share	$ (3,252)	$ (1,740)	$ (6,833)	$ (4,345)
Denominator				
Denominator for basic earnings per share - weighted-average shares	56,938,000	56,938,000	56,938,000	56,938,000
Effect of dilutive securities	-	-	-	-
Dilutive potential common shares	56,938,000	56,938,000	56,938,000	56,938,000
Basic and diluted earnings per share	$ (0.06)	$ (0.03)	$ (0.12)	$ (0.08)

During the period presented the Company had warrants outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share as the effect would have been anti-dilutive. Since the Company has a loss for all periods presented, diluted and basic earnings per share are the same. The outstanding warrants consist of the following potential common shares:

	As at March 31,	
	2006	2005
Common shares issuable upon exercise of outstanding warrants	2,392,000	2,392,000

The warrants outstanding at March 31, 2006 have an exercise price of $9.00 per share and are exercisable prior to December 18, 2006.

3. Expenditure Commitments

At March 31, 2006, the Company had contractual obligations for the conduct of clinical trials, pre clinical research and development and manufacturing process development of approximately $2,410,000. 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:

(In thousands)

Contractual Obligations	Total	Payment due by period: less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Purchase Obligations	$ 2,410	$ 2,410	$ -	$ -	$ -
Total	$ 2,410	$ 2,410	$ -	$ -	$ -

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 as future payments under the terms of the agreements are subject to termination provisions. Payments in connection with these agreements are detailed in Note 5 “Related Party Transactions”.

The Company is not currently a party to any material legal proceedings.

The Company’s certificate of incorporation provides that it will indemnify Novogen in connection with certain actions brought against Novogen by any of the Company’s stockholders or any other person.

The Company has guaranteed the payment and performance of the obligations of its subsidiary, Marshall Edwards Pty Limited, to Novogen and its subsidiaries, Novogen Laboratories Pty Limited and Novogen Research Pty Limited, under the license agreement, the manufacturing license and supply agreement and the services agreement. Novogen has guaranteed the performance of the obligations of Novogen Research Pty Limited under the license agreement and the obligations of Novogen Laboratories Pty Limited under the manufacturing license and supply agreement to Marshall Edwards Pty Limited. Each of the Company and Novogen’s obligations in the guarantee and indemnity agreement are absolute, unconditional and irrevocable.

The Company has issued a letter of support to the Directors of Marshall Edwards Pty Limited guaranteeing financial support, for a period of twelve months ending October 7, 2006, should it be unable to meet any of its financial commitments.

4. Segment Information

The Company’s focus is to continue the clinical program currently underway for the development and commercialization of phenoxodiol. The business contains two major segments based on geographic location.

	Three Months Ended March 31, 2006		Three Months Ended March 31, 2005	
	(In Thousands)			
	USA	Australia	USA	Australia
Loss from operations	$ (40)	$ (3,212)	$ (81)	$ (1,659)
Segment assets	7,452	5,872	15,175	5,326

	Nine Months Ended March 31, 2006		Nine Months Ended March 31, 2005	
	(In Thousands)			
	USA	Australia	USA	Australia
Loss from operations	$ (138)	$ (6,695)	$ (259)	$ (4,086)

5. 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 patents 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 non-exclusive. 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. Also, MEPL paid $2,000,000 to Novogen in January 2005 which was the annual milestone license fee payment due under the license agreement. MEPL paid $4,000,000 to Novogen in January 2006 which was the annual milestone license fee payment due under the license agreement. 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 the later of November 1, 2003 or such 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. The Company has not yet reached these preconditions for payment.

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. In addition to the amounts above, beginning in 2006, an $8 million annual milestone license fee is payable under the license agreement for each calendar year ended December 31 during the exclusivity period of the license.

Milestone license fees of $2,000,000 have been accrued as at the end of March 31, 2006 in connection with the annual milestone payment due within 30 days following the end of the calendar year December 31, 2006.

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.

Transactions giving rise to expenditures amounting to $971,000 and $799,000 were made under the services agreement with Novogen during the nine months ended March 31, 2006 and 2005, respectively. Of these amounts, $441,000 and $287,000 related to service fees paid to Novogen for research and development services provided in the nine months ended March 31, 2006 and 2005, respectively, reflecting increased time spent by Novogen research staff on the development of phenoxodiol. Additionally, $530,000 and $512,000 of the total expenditure during the nine months ended March 31, 2006 and 2005, respectively related to costs incurred for administration and accounting services provided by Novogen.

At March 31, 2006 and 2005, $114,000 and $101,000, respectively, were due and owing to Novogen under the services agreement and are included in amounts due to parent company.

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 giving rise to expenditures amounting to $362,000 and $372,000 were made under the manufacturing license and supply agreement with Novogen during the nine months ended March 31, 2006 and 2005, respectively.

At March 31, 2006 and 2005, $76,000 and $50,000, respectively, were due and owing to Novogen under the manufacturing license and supply agreement and are included in amounts due to parent company.

6. Equity

MEI is a development stage company incorporated in December 2000 that commenced operations in May 2002 coinciding with its listing on the Alternative Investment Market of the London Stock Exchange.

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 Alternative Investment Market of the London Stock Exchange. 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 with 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 $2,431,000 transaction costs in the December 2003 offering. Following the offering, Novogen Limited retained 86.9% of the Company's common stock.

In January 2006, the Company voluntarily cancelled the trading of its common stock on the Alternative Investment Market of the London Stock Exchange.

Special Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q 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 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:

- the Company's inability to obtain any additional required financing or financing available to us on acceptable terms;
- the Company's failure to successfully commercialize its product candidates;
- costs and delays in the development and/or receipt of FDA or other required governmental approvals, or the failure to obtain such approvals, for the Company's product candidates;
- uncertainties in clinical trial results;
- the Company's inability to maintain or enter into, and the risks resulting from its dependence upon, collaboration or contractual arrangements necessary for the development, manufacture, commercialization, marketing, sales and distribution of any products;
- continued cooperation and support of Novogen, the Company's parent company;
- 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 generally 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. In addition, the Company's business and financial performance may be affected by the factors that are discussed under "Risk Factors" in the Annual Report on Form 10-K for the year ended June 30, 2005. 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 the 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 candidate called 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 ended June 30, 2005 and in the nine months ended March 31, 2006 was to undertake human clinical testing of phenoxodiol. During the nine months ended March 31, 2006, the Company continued to recruit patients into the existing clinical trial programs. The Company is also in the planning phase of its phase III multinational ovarian cancer efficacy study. The Company is discussing trial design with the FDA to develop a trial protocol, including the number of treatment arms needed to be completed and the number of patients required to be tested in each arm. The Company has not completed discussions with the FDA and has not finally determined the cash resources needed to complete the trial.

The Company has agreed to novate Novogen's contracts with third parties which focus on manufacturing process development for phenoxodiol. This work is being undertaken to develop a scaleable manufacturing process which will facilitate larger scale production quantities of phenoxodiol while concurrently developing analytical methods and documentation required for the future submission of an NDA (New Drug Application). An NDA is needed in order to market phenoxodiol and will be required if the planned phase III study were to be successful.

The Company believes that it will have to raise additional cash resources to fund these planned operations. The Company is currently assessing the financing alternatives available to it.

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, 2006, the Company had accumulated losses of $24,948,000.

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.

Development Expenses

Research and development costs incurred since inception through March 31, 2006 aggregate to $8,841,000.

Research and development costs include clinical trial expenses and are expensed as they are incurred and are expected to increase in the future as the phenoxodiol clinical program progresses. The planned phase III trial will require large patient numbers resulting in significantly increased costs.

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;
- the end points and analyses required for regulatory approval; 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.

Clinical Trial 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 $335,000 have been accrued at March 31, 2006. These estimates are based on the number of patients in each trial and the patient treatment cycles completed or milestones achieved.

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.

Results of Operations

Three Months Ended March 2006 and 2005

The Company recorded a consolidated loss of $3,252,000 and $1,740,000 for the three months ended March 31, 2006 and 2005, respectively.

Revenues: The Company received interest on cash assets and cash equivalents and short term investments of $101,000 for the three months ended March 31, 2006 versus $71,000 for the three months ended March 31, 2005. The increase was due to an increase in interest rates earned by its cash deposits.

Research and Development: Research and Development expenses increased $539,000 to $1,033,000 for the three months ended March 31, 2006 compared to $494,000 for the three months ended March 31, 2005. The increase was primarily due to third party contract costs associated with the production scale-up activities of the manufacturing process of phenoxodiol and the initial development of the NDA (New Drug Application) documentation. Costs incurred under these agreements and totaling $506,000 have been charged to the Company in the three months ended March 31, 2006. The Company expects research and development clinical trial expenses to increase in the future in accordance with the planned phase III clinical trial program together with increased production scale up costs.

License Fees: Milestone license fees of $2,000,000 have been expensed in the three months ended March 31, 2006 in connection with the annual milestone license fee of $8,000,000 that is payable to Novogen, within 30 days after December 31, 2006 under the terms of the license agreement with Novogen. Milestone license fees of $1,000,000 were expensed in the three months ended March 31, 2005 in connection with the annual milestone license fee of $4,000,000 due to Novogen December 31, 2005. Milestone license fees continue at $8 million per year under the terms of the license agreement with Novogen.

Selling, General and Administrative: Selling, general and administrative expenses increased by $3,000 to $320,000 for the three months ended March 31, 2006 compared to $317,000 for the three months ended March 31, 2005. Foreign exchange gains/(losses) are included in selling, general and administrative expenses and occur when revaluing cash denominated in foreign currencies and upon consolidation of MEI's wholly owned Australian subsidiary Marshall Edwards Pty Ltd ("MEPL"). MEPL uses 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. Translation of MEPL's financial statements into U.S. dollars did not have a material impact on the Company's financial position. Net foreign exchange losses during the three months ended March 31, 2006 were $12,000 compared with net foreign exchange gains of $35,000 during the three months ended March 31, 2005.

Nine Months Ended March 2006 and 2005

The Company recorded a consolidated loss of $6,833,000 and $4,345,000 for the nine months ended March 31, 2006 and 2005, respectively.

Revenues: The Company received interest on cash assets and cash equivalents and short term investments of $353,000 for the nine months ended March 31, 2006 versus $202,000 for the nine months ended March 31, 2005. The increase was due to an increase in interest rates combined with the Company investing some of its cash in short term investment deposits which yield a greater rate of return than cash accounts.

Research and Development: Research and Development expenses increased by $612,000 to $2,088,000 for the nine months ended March 31, 2006 compared to $1,476,000 for the nine months ended March 31, 2005. The increase was primarily due to third party contact costs

associated with the production scale-up activities of the manufacturing process of phenoxodiol and the initial development of the NDA documentation incurred in the quarter ending March 31, 2006, together with additional costs incurred under the services agreement reflecting the increased time spent by Novogen research staff on the development of phenoxodiol. The Company expects research and development clinical trial expenses to increase in the future in accordance with the planned phase III clinical trial program.

License Fees: Milestone license fees of $4,000,000 were expensed in the nine months ended March 31, 2006. Of this milestone license fee expense, $2,000,000 is in connection with the annual milestone license fee of $8,000,000 that is payable to Novogen, within 30 days, after December 31, 2006 under the terms of the license agreement with Novogen. The balance of the milestone license fee expense of $2,000,000 was in connection with the annual milestone license fee of $4,000,000 that was paid to Novogen in January 2006.

Milestone license fees of $2,000,000 were expensed in the nine months ended March 31, 2005. Of this milestone license fee expense, $1,000,000 was in connection with the annual milestone license fee of $4,000,000 that was payable to Novogen in January 2006 under the terms of the license agreement with Novogen. The balance of the milestone license fee expense of $1,000,000 was in connection with the annual milestone license fee of $2,000,000 that was paid to Novogen in January 2005.

Selling, General and Administrative: Selling, general and administrative expenses increased by $27,000 to $1,098,000 for the nine months ended March 31, 2006 compared to $1,071,000 for the nine months ended March 31, 2005. The increase was primarily due to an increase in foreign exchange losses, additional cost of compliance and additional fees charged under the services agreement with Novogen partially offset by a reduction in legal fees. Foreign exchange gains/(losses) are included in selling, general and administrative expenses and occur when revaluing cash denominated in foreign currencies and upon consolidation of MEI's wholly owned Australian subsidiary Marshall Edwards Pty Ltd ("MEPL"). MEPL uses 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. Translation of MEPL's financial statements into U.S. dollars did not have a material impact on the Company's financial position. Net foreign exchange losses during the nine months ended March 31, 2006 were $31,000 compared with net foreign exchange losses of $5,000 during the nine months ended March 31, 2005.

Liquidity and Capital Resources

At March 31, 2006, the Company had cash resources of $12,863,000 compared to $19,238,000 at June 30, 2005. Funds are invested in short term market accounts, pending use. The Company believes that it will have to raise additional cash resources to fund its planned operations.

Source and Uses of Cash

Cash Used in Operating Activities

Cash used in operating activities for the nine months ended March 31, 2006 was $6,375,000 compared to $4,588,000 for the same period in 2005. The increase in cash outflow of $1,787,000 for the nine months ended March 31, 2006 was due primarily to the license fee

paid to Novogen increasing from $2,000,000 to $4,000,000 for three months ended March 31, 2005 and 2006 respectively.

Cash Requirements

The Company believes that it will have to raise additional cash resources to fund its planned operations, and the Company is currently assessing the financing alternatives available to it.

The Company is planning to conduct a phase III clinical study to support marketing approval of phenoxodiol for ovarian cancer. The trial will use phenoxodiol in combination with an existing chemotherapeutic and will assess phenoxodiol's safety and efficacy for late stage ovarian cancer patients who are refractory to standard chemotherapies. The Company is discussing trial design with the FDA to develop a trial protocol, including the number of treatment arms needed to be completed and the number of patients required to be tested in each arm. The Company has not completed the final trial design and has not determined the final cost of the trial, however, the Company has determined that additional cash resources will most likely be required to complete the trial and the other planned initiatives.

Novogen has notified the Company that its new anti-cancer compound NV-196 (previously referred to as NV-18) is now an "option compound" under the terms of the license option deed and that Novogen has commenced phase I clinical trials. The Company has commissioned an independent evaluation report on NV-196, has reviewed initial clinical results and has commenced license negotiations with Novogen. The Company is also in discussions with Novogen regarding a possible license for the anti-cancer compound NV-143. Additional cash resources will be required to undertake the clinical development program for those compounds.

Ongoing operations through the conduct of the clinical trial program will continue to consume cash resources without generating revenues and the Company will require additional cash resources to expand the clinical trial program for phenoxodiol in the treatment of prostate cancer.

Novogen, which currently provides phenoxodiol for use in clinical trials, has taken the strategic decision not to manufacture on a large scale Active Pharmaceutical Ingredients (API) for cancer drugs, including phenoxodiol, as these can be more economically supplied by third parties with particular expertise in this area. The contract facilities that have been identified are FDA licensed, have a track record of large scale API manufacture and have already invested in capital and equipment. The Company has agreed to novate Novogen's contracts with third parties which develop a scalable manufacturing method to ensure that sufficient quantities of phenoxodiol can be manufactured in compliance with cGMP (Current Good Manufacturing Practices) and to complete the analytical and stability work necessary for an NDA submission. An NDA is needed in order to market phenoxodiol and would be required if the planned phase III study were to be successful.

The Company is also required to make payments under the terms of the license agreement with Novogen as follows:

1. A second lump sum license fee of $5,000,000 is payable to Novogen on the later of November 1, 2003 or such 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. The Company has not yet reached these preconditions for payment.

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. In addition to the amounts above, beginning in 2006, an $8 million annual milestone license fee is payable under the license agreement for each calendar year ending December 31 during the exclusivity period of the license.

At June 30, 2005 an amount of $2,000,000 was accrued and reflected in amounts due to the parent company, being 50% of the $4,000,000 milestone payment payable to Novogen on December 31, 2005 under the terms of the license agreement with Novogen. An additional milestone license fee accrual of $2,000,000 was made at March 31, 2006 in connection with the $8,000,000 payment due within 30 days following the end of the calendar year, December 31, 2006. The Company paid the December 31, 2005 annual milestone license fee of $4,000,000 due to Novogen at the end of January 2006.

The Company will also be required to make payments to Novogen under the services agreement and manufacturing license and supply agreement.

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

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table summarizes the Company's contractual obligations at March 31, 2006:

(In thousands)		Payment due by period			
Contractual Obligations	**Total**	less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Purchase Obligations	$ 2,410	$ 2,410	$ -	$ -	$ -
Total	$ 2,410	$ 2,410	$ -	$ -	$ -

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 as future payments under the terms of the agreements are subject to termination provisions.

New Accounting Pronouncements

Share-Based Payments

In December 2004, the FASB Issued Statement of Financial Accounting Standards No. 123R (Statement 123R), "Share-Based Payments", the provisions of which are effective for the Company in fiscal 2006. This Statement eliminates the alternative to use APB No. 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. Statement 123R requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. While the fair-value-based method prescribed by Statement 123R is similar to the fair-value-based method disclosed under the provisions of Statement 123 in most respects, there are some differences. 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.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company places cash in “on call” deposits and short term investments 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, 2006, the Company had not established a foreign currency hedging program. Net foreign exchange losses during the nine months ended March 31, 2006 were $31,000 compared with net foreign exchange losses of $5,000 during the nine months ended March 31, 2005. 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. Translation of MEPL’s financial statements into U.S. dollars did not have a material impact on the Company’s financial position.

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 this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

PART II OTHER INFORMATION

Item 1A: Risk Factors

Set forth below in this Quarterly Report on Form 10-Q and in other documents we file with the Securities and Exchange Commission, including, without limitation, our most recently filed Form 10-K, are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements in this Quarterly Report on Form 10-Q. We believe that these risks and uncertainties are the principal material risks facing the Company as of the date of this Form 10-Q. In the future, we may become subject to additional risks that are not currently known to us. If any of these risks actually occur, our business, financial condition and operating results could be seriously harmed. As a result, the trading price of our common stock could decline, and you could lose all or part of the value of your investment.

We may not be able to raise the additional funds necessary to complete Phase III clinical trials and commercialize phenoxodiol, or if we do raise the additional funds necessary, the trading price of our common stock may decline and our common stock may be diluted.

While we believe that we have sufficient funds to complete our current clinical trial program, we will require additional funds to further the evaluation of phenoxodiol beyond the current objectives, including the completion of any Phase III clinical trials for phenoxodiol, and to pursue the commercialization of phenoxodiol. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. We cannot assure you that we will be able to get additional financing on any terms, and, if we are able to raise funds, it may be necessary for us to sell shares of our common stock or securities convertible into our common stock at a price that is a significant discount from the market price, resulting in potential dilution to existing holders of our common stock and a downward pressure on the stock price. If we are unable to obtain additional funds on favorable terms we may be required to cease or reduce our operations.

Item 6: Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit Index

Exhibits

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).

(b) Reports on Form 8-K.

On March 27, 2006 the Company filed a current report on Form-8K regarding the appointment of Professor Bryan Williams to serve as a director of the Company and as a member of the Board's Audit Committee and Remuneration Committee, effective March 31, 2006. This appointment was following the resignation of Professor David de Kretser AO, who resigned as director due to his appointment as the Governor of the State of Victoria, Australia.

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 9, 2006

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 those 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 this report our conclusions about the effectiveness of the 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 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual 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 9, 2006 /s/CHRISTOPHER NAUGHTON

Christopher Naughton
Chief Executive Officer

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 these 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 this report our conclusions about the effectiveness of the 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 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual 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 9, 2006 /s/ DAVID SEATON

David R. Seaton
Chief Financial Officer

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, 2006, 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 9, 2006

/s/ CHRISTOPHER NAUGHTON

Christopher Naughton
Chief Executive Officer

/s/ DAVID SEATON

David R. Seaton
Chief Financial Officer