UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2007

OR

o **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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on which Registered**
Common Stock, $0.00000002 par value	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☑

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

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 ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.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 ☑

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant was approximately $42.5 million based on the closing price of the registrant's Common Stock as reported on the Nasdaq Global Market on December 29, 2006.

As of August 31, 2007, the number of shares outstanding of the issuer's common stock, $0.00000002 par value, was 68,854,938.

Documents Incorporated by Reference

Portions of this registrant's definitive proxy statement for its 2007 annual meeting to be filed with the U.S. Securities and Exchange Commission no later than 120 days after the end of the fiscal year are incorporated by reference in Part III of this Annual Report on Form 10-K.

MARSHALL EDWARDS, INC.
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Cautionary Statement about Forward-Looking Statements

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts contained in this Annual 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 us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on current expectations and projections about future events and financial trends that we believe 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, without limitation, those described in "Risk Factors" and elsewhere in this Form 10-K, including, among other things:

- our limited operating history;
- our inability to obtain required additional financing or financing available to us on acceptable terms;
- costs and delays in the development and/or receipt of U.S. Food and Drug Administration (the "FDA") or other required governmental approvals, or the failure to obtain such approvals, for our product candidates;
- uncertainties in clinical trial results;
- our failure to successfully commercialize our product candidates;
- our 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;
- our inability to control the costs of manufacturing our products;
- continued cooperation and support of Novogen Limited, our parent company;
- competition and competitive factors;
- our inability to protect our patents or proprietary rights and obtain necessary rights to third party patents and intellectual property to operate our business;
- our inability to operate our business without infringing the patents and proprietary rights of others;
- costs stemming from our defence against third party intellectual property infringement claims;
- difficulties in enforcement of civil liabilities against our officers and directors who are residents of jurisdictions outside the United States;
- 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 Annual Report on Form 10-K includes additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should not rely upon forward looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

PART I

Item 1. Business

Overview of Our Business

We are a developmental stage pharmaceutical company listed on the Nasdaq Global Market under the symbol “MSHL”. We were incorporated on December 1, 2000 as a wholly-owned subsidiary of Novogen Limited (“Novogen”), an Australian company. Novogen’s ordinary shares trade on the Australian Stock Exchange under the symbol “NRT,” and American Depositary Receipts trade in the United States under the symbol “NVGN” on the Nasdaq Global Market. As at the date of this report Novogen owns approximately 71.9% of our outstanding common stock.

We commenced operation in May 2002 and our business purpose is the development and commercialization of drugs for the treatment of cancer. We are presently engaged in the clinical development and commercialization of a drug candidate called phenoxodiol which we have licensed from a subsidiary of Novogen. We believe that phenoxodiol may have broad application against a wide range of cancers. Phenoxodiol appears to target a number of key components involved in cancer cell survival and proliferation based on the emerging field of signal transduction regulation, with little or no effect on normal cells detected in pre-clinical testing. We have also licensed two other anti-cancer compounds, NV-196 and NV-143, from a subsidiary of Novogen.

Our strategy is to undertake further clinical development and testing of phenoxodiol, focusing on those therapeutic indications that will expedite drug marketing approval by regulatory bodies, leading to phenoxodiol’s commercialization and wide scale distribution. We also plan to develop NV-196 and NV-143 for therapeutic indications not currently targeted by phenoxodiol.

Phenoxodiol commenced Phase I clinical studies in Australia in 2000 and currently is undergoing a pivotal Phase III study in combination with carboplatin for women with platinum-resistant ovarian cancer (ovarian cancer that does not respond to platinum based anti-cancer agents such as cisplatin and carboplatin), and has recently completed a Phase Ib study in the United States in patients with cervical cancer and a Phase Ib study in Australia in patients with hormone-refractory prostate cancer.

NV-196 is being developed initially in oral form for pancreatic and bile duct cancer and has completed a Phase I human clinical trial. NV-143 is targeted for the treatment of melanoma also in oral dose form and is in the pre-clinical testing stage.

Recent Developments

In April 2007, we announced that we had renegotiated with Novogen the timing of the payments of our annual $8.0 million milestone license payments for phenoxodiol due under the terms of our license agreement. Under the terms of an Amendment Deed to the original license agreement the payment of the future milestone license fees due on December 31, 2007 and each year subsequently will now commence at the end of the calendar year in which the FDA approves a new drug application for phenoxodiol or phenoxodiol first receives approval for marketing in the U.S. or any other country.

In April 2007, we announced that Novogen had advised us that it had been granted patent claims in the United States to pharmaceutical compositions of phenoxodiol. These rights are included in the patent rights licensed to us under the terms of our license agreement.

On August 1, 2007, we entered into a securities subscription agreement with certain accredited investors providing for the private placement of 5,464,001 shares of our common stock at a purchase price of $3.00 per share. The investors in the transaction also received a warrant to purchase an additional 4 shares of common stock for every block of 10 shares of common stock purchased. The warrants have an exercise price of $3.60 per share. The warrants may be exercised beginning February 6, 2008 and will expire five years from the date of issuance, on August 6, 2012. We also issued 62,091 warrants to Blue Trading, LLC, which acted as the placement agent in the private placement, as part of the placement fee. The warrants issued to Blue Trading, LLC have an exercise price of $3.00 per share and each warrant is convertible for 4 shares of common stock. These warrants may be exercised immediately and will expire five years from the date of issuance, on August 6, 2012. We closed the private placement on August 6, 2007 and we received gross proceeds of $16.4 million.

We have entered into a registration rights agreement with the investors party to the securities subscription agreement, and Blue Trading, LLC, and have agreed to file a registration statement with the U.S. Securities and Exchange Commission (the "SEC") for the common stock and the common stock issuable upon exercise of the warrants sold pursuant to the Securities Subscription Agreement for resale thereunder.

In addition, we have terminated our Standby Equity Distribution Agreement (the "SEDA"), dated as of July 11, 2006, with Cornell Capital Partners, LP, as amended.

Recent Clinical Developments

During fiscal year 2007, we made progress in the clinical development of phenoxodiol including:

- In September 2006, we announced the results of a preclinical study conducted at Purdue University which suggests that phenoxodiol may be effective in the treatment of prostate cancer through its ability to target a protein, the 75 alpha protein, an isoform of tumor-associated NADH oxidase (or tNOX), which appears to be the particular tNOX isoform found in prostate cancer patients. This study provides further support that a surface oxidase is a target for phenoxodiol.
- In November 2006, we announced that the first patient commenced treatment in the Phase III OVATURE clinical trial (known as OVATURE). The OVATURE trial is being conducted under a Special Protocol Assessment ("SPA") where the U.S. Food and Drug Administration (the "FDA") in the U.S. reviewed and agreed with the study design of the pivotal Phase III study of phenoxodiol in combination with carboplatin for women with platinum-resistant ovarian cancer. The SPA process allows for FDA evaluation of a clinical trial protocol that will form the basis of an efficacy claim for a marketing application, and provides acknowledgement that the study design including patient numbers, clinical endpoints and analyses, are acceptable to the FDA. As a fast track product, phenoxodiol will be eligible to apply for accelerated approval and priority review of the marketing application by the FDA for this indication.

New Director

In March 2007, the Board of Directors appointed Mr. William Rueckert to the Board. Mr. Rueckert is the Managing Member of Oyster Management Group LLC an investment fund specializing in community banks. Mr. Rueckert is a Director of Emergency Filtration Products, Inc., a public manufacturer and marketer of respiratory filtration devices and Mr. Rueckert is a member of the Board of Directors of

Glycotex, Inc. an 81.3 percent owned unlisted subsidiary of Novogen Limited. Prior to his current positions, from 1991 to 2006 he was president and director of Rosow & Company, a private investment firm based in Connecticut. Mr. Rueckert has been president and director of Eastern Capital Development, LLC from 1999 to 2005, treasurer of Moore & Munger, Inc., a company with interests in the petroleum and resort development industries, from 1988 until 1990, and was president of United States Oil Company, a publicly traded oil exploration business, from 1981 to 1988. Among his many civic associations, Mr. Rueckert is director and president of the Cleveland H. Dodge Foundation, a private philanthropic organization in New York City and Chairman of the Board of the Trustees of Teachers College, Columbia University.

In June 2007, we announced that Dr Graham Kelly had retired as a member of our Board of Directors.

Scientific Overview

Phenoxodiol, NV-196 and NV-143 belong to a class of drugs that we refer to as Multiple Signal Transduction Regulators ("MSTRs").

Signal transduction refers to the means by which cells respond to chemical signals that come from within the cell itself, from neighboring cells, and from elsewhere in the body. These signals regulate such vital functions as the growth and survival of the cell. We believe that malfunctions in key components of the signal transduction process (whereby a series of chemical signals within a cell leads to the expression of a particular function) are fundamental to neoplastic diseases such as cancer, where cells respond abnormally to normal levels of signals, typically by over-responding to them with increased cell growth and survival.

We believe that identifying malfunctions in the signal transduction process and then designing drugs to block or correct them has become a basis for the development of the next generation of anti-cancer drugs. These drugs have become known as signal transduction inhibitors. These drugs are being designed to target a specific signaling pathway, which typically is over-active in a tumor cell, and by blocking progression of the signal, prevent or reduce the ability of the tumor cell to divide or to survive. We believe that single signal transduction inhibitors, while displaying anti-tumor activity against a small number of different types of cancer, generally have failed to provide more than modest prolongation of survival of cancer patients. We believe this is because most human cancers involve errors of multiple signaling pathways, and inhibition of a single pathway by any one drug alone cannot reasonably be expected to provide more than a temporary halt to cancer progression.

We believe that our three drug candidates increase the potency of signal transduction inhibitors by targeting multiple signaling pathways, and in particular, those pathways vital to the survival of most, if not all, human cancer cells. In the term MSTR, "multiple" refers to the fact that more than one signaling pathway is targeted by the drug, and "regulator" refers to the fact that while the drug predominantly inhibits errant 'pro-survival' signaling pathways, it conversely can also activate 'pro-death' signaling pathways to facilitate cancer cell death.

We believe that our three drug candidates are able to exert a multiplicity of effects, including both 'pro-survival' and 'pro-death' signaling systems, as a result of the primary target on the tumor cell being a protein whose function in the tumor cell is so fundamental to cell biochemistry that to shut it down produces a broad range of adverse biochemical consequences.

The potential explanation for this effect on the fundamental biochemistry of tumor cells was provided by a discovery of a research team at Purdue University in Indiana. This team has a long-standing research interest in a family of proteins at the cell surface that are involved in

electron transport across the cell membrane. This function is so fundamental to normal cell function and viability, that any loss of function of this electron pump will disrupt a wide range of biochemical processes. One of the key components of this electron pump mechanism is a cell surface protein known as NADH oxidase. These proteins are situated on the outside of the cell membrane of all living matter, and regulate the flow of waste hydrogen across the cell membrane. The Purdue University studies have now shown that all forms of human cancer express a variant form of the surface oxidase, known as tumor-specific NADH oxidase. In cancer cells, phenoxodiol appears to block the surface oxidase, with the resulting inhibition of hydrogen ion removal (H+ efflux) from the cell. This leads to extensive disruption to signaling pathways and to eventual inhibition of cell proliferation and activation of apoptosis, the process of programmed cell death by which a cell dies naturally. Phenoxodiol appears to have little or no effect on the normal cell form of oxidase, providing an explanation for how phenoxodiol selectively targets cancer cells for its cytotoxic effects.

A research team at Victoria University in New Zealand, headed by Professor Michael Berridge, head of the Malaghan Institute of Medical Research at the University of Wellington School of Medicine, has independently validated the mechanism of action of phenoxodiol via surface oxidase inhibition. Phenoxodiol inhibited plasma membrane electron transport and cell proliferation in cancer cell lines and some primary immune cells.

Other studies at The Hanson Institute, Centre for Cancer Research at Royal Adelaide Hospital in Australia have demonstrated that the potent anti-tumour and anti-angiogenic properties of phenoxodiol are associated with down regulation of a key signal transduction molecule, sphingosine kinase. Sphingosine kinase is a terminal component of the plasma membrane sphingomyelin pathway leading to the formation of sphingosine-1-phosphate, a key pro-survival secondary messenger acting via the signal transduction protein kinase (Akt). Two important biological outcomes of this are (i) cytostasis, through p53-independent induction of the cell cycle regulatory protein, p21WAF1/CIP1, and (ii) apoptosis, through inhibition of phosphorylation of the anti-apoptotic factors, XIAP (inhibitor of apoptosis protein) and FLIPshort (caspase-8 inhibitory protein) , thereby facilitating activation of executioner caspases via the tumour necrosis factor (TNF) family of death receptors. The Purdue group have shown this effect is a consequence of the interaction between phenoxodiol and the surface oxidase on cancer cells.

This finding is relevant because of results from laboratory studies at Yale University that have revealed that the killing effect of phenoxodiol on cancer cells occurs through the loss of the ability of the tumor cell to manufacture anti-apoptosis proteins such as XIAP and c-FLIP. Collectively, these third party studies provide a rational mechanism of action of phenoxodiol starting with the inhibition of surface oxidase, leading in turn to the loss of intracellular sphingosine-1-phosphate (S-1-P), and eventually to the loss of anti-apoptosis proteins.

Recent laboratory studies conducted by Novogen and Yale University have confirmed that this chain of biochemical events following exposure of tumor cells to phenoxodiol also provides an explanation for why phenoxodiol is able to reverse resistance to standard anti-cancer drugs such as platinums, gemcitabine and taxanes.

Phenoxodiol appears to restore sensitivity to these drugs in cells such as ovarian cancer cells that have acquired resistance to these drugs. In addition, pretreatment of tumor cells with phenoxodiol considerably increases the sensitivity of non-resistant tumor cells to the cytotoxic effects of standard chemotherapy drugs. These effects are achieved without increasing the toxicity of the standard chemotherapy drugs to non tumor-cells.

Overall Clinical Development Strategy for Phenoxodiol, NV-196 and NV-143

Phenoxodiol

Based on the early clinical and pre-clinical work conducted on phenoxodiol, we believe that phenoxodiol has the potential to become a treatment option for a wide range of human cancers, and to be employed at various stages of cancer development ranging from early-stage cancer through to late-stage cancer.

The immediate priority is to focus on those therapeutic indications that will expedite drug marketing approval of phenoxodiol by regulatory bodies. To this end, we will continue to focus on three forms of cancer – ovarian cancer, prostate adenocarcinoma, and squamous cell carcinoma of the cervix and vagina.

In ovarian cancer, we are testing the ability of phenoxodiol to overcome chemotherapy drug resistance mechanisms, reversing resistance to platinums and taxanes in particular. This is a Phase III pivotal study (known as OVATURE) in patients who have become resistant or refractory to at least 2 lines of platinum therapy, where phenoxodiol will be tested in combination with weekly carboplatin to delay tumor progression as measured by progression-free survival.

Phenoxodiol also is being developed for use in squamous cell carcinoma (SCC) of the cervix, vagina and vulva. A Phase I study is ongoing with a view to providing evidence of both a biological and clinical effect in this aggressive form of cancer. A positive outcome in the current study could lead to two potential therapeutic indications: (i) the use of phenoxodiol as a monotherapy in early-stage disease including pre-malignant disease; and (ii) the use of phenoxodiol in combination with standard drugs such as cisplatin for the treatment of non-resectable disease.

Prostate cancer is the third tumor type that we believe is likely to be responsive to phenoxodiol therapy. We have completed a Phase II study in advanced hormone refractory disease and we are currently assessing the feasibility of conducting a Phase II study using phenoxodiol as first line treatment in early stage disease. Both of these studies address areas of unmet medical need in this common cancer. Our ability to proceed with all these studies concurrently will depend on available financial resources.

NV-196 and NV-143

NV-196, is a synthetic anti-cancer compound developed by Novogen, based on an isoflavan ring structure. Similar to phenoxodiol, NV-196 is a signal transduction inhibitor. Preliminary screening studies conducted by Novogen have identified NV-196 as a candidate for product development showing a favorable in vitro toxicity profile against normal cells and broad activity against cancer cells. NV-196 is currently in Phase I human testing and is being developed initially in oral form for the treatment of pancreatic and bile duct cancers.

NV-143 is currently in pre-clinical testing. Preliminary screening studies have identified broad anti-cancer activity against cancer cells representative of melanoma, glioma, prostate, ovarian, breast and lung cancer. NV-143 also exhibits broadly acting chemo-sensitizing activity or the ability to increase the sensitivity of cells to chemotherapeutic drugs that are used to control the growth of cancer cells. Ongoing research is being undertaken to establish the mechanisms by which NV-143 elicits its anti-cancer/chemo-sensitizing effect. NV-143 is initially being developed to target the treatment of melanoma.

Both of these new drug candidates are analogues of phenoxodiol, but exhibit significantly different biologies to phenoxodiol. In parallel with phenoxodiol, both drug candidates display pre-clinical anti-cancer activity across a broad range of tumor types, high selectivity for cancer cells, and the ability to chemo-sensitize tumor cells to the cytotoxic effects of most standard chemotoxic drugs. However, both drugs differ from phenoxodiol in showing a substantially greater ability to induce apoptosis in pancreatic cancer, bile duct cancer, and melanoma cells; they also show an ability to increase the sensitivity of cancer cells to radiotherapy (radiosensitizers).

We are now engaged in a program that seeks to bring both drug candidates to market as agents that will provide chemo-sensitization and/or radio-sensitization across a number of tumor types, but particularly pancreatic cancer, bile duct cancer for NV-196 and malignant melanoma for NV-143.

The first NV-196 Phase Ia study in three patients confirmed the bioavailability of the oral dosage form. That study showed that an oral dosing regimen had the potential to deliver therapeutically-relevant plasma levels of the drug, and that short-term therapy with NV-196 was well tolerated. NV-196 has also completed a second Phase Ia safety and pharmacokinetic (how the drug is absorbed and metabolised) study in nine patients at the Brisbane Mater Hospital.

NV-143 is still undergoing pre-clinical evaluation for determination of its potential in the treatment of malignant melanoma and is not expected to enter clinical trials until the results of pre-clinical testing are complete.

Competition

The development of phenoxodiol and other drug candidates is highly competitive. A number of other companies have products or drug candidates in various stages of pre-clinical or clinical development that are intended for the same therapeutic indications for which phenoxodiol is being developed. Some of these potential competing drugs are further advanced in development than phenoxodiol and may be commercialized sooner. Even if we are successful in developing effective drugs, phenoxodiol may not compete successfully with products produced by our competitors.

Our competitors include pharmaceutical companies and biotechnology companies, as well as universities and public and private research institutions. In addition, companies active in different but related fields represent substantial competition for us. Many of our competitors developing oncology drugs have significantly greater capital resources, larger research and development staffs and facilities and greater experience in drug development, regulation, manufacturing and marketing than we do. These organizations also compete with Novogen, our services provider, in recruiting qualified personnel. They compete with us in recruiting eligible patients to participate in clinical studies and in attracting partners for joint ventures. They also licence technologies that are competitive with our technologies. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies or our drug candidates obsolete or non-competitive.

Intellectual Property

Novogen has been granted patents and has additional patent applications pending in a number of countries which cover a family of chemically related compounds with potentially broad ranging and complementary anti-cancer effects. Novogen has granted to us an exclusive licence, with respect to its patent rights and intellectual property know-how to develop, market and distribute any one of these compounds, phenoxodiol, NV-143 and NV-196. as anti-cancer agents, except in topical form.

Phenoxodiol

We have licensed from Novogen the rights to the Novogen patents and applications as they relate to phenoxodiol as an anti-cancer agent. Excluded from these rights is phenoxodiol in a topical formulation. The patent rights we have licensed from Novogen can be largely classified into two broad groups: patent rights relating to phenoxodiol used as an anti-cancer agent, which we refer to as "therapeutic patent rights," and patent rights relating to the manufacture of phenoxodiol for anti-cancer purposes, which we refer to as "manufacturing patent rights." The pending and issued Novogen patent rights can be further broken down into four families, three families belonging to the therapeutic patent rights and one family belonging to the manufacturing patent rights. The three families in the therapeutic patent rights relate to:

- phenoxodiol in the treatment of cancer (thirteen patents pending and ten patents issued);
- compositions and methods for protecting skin from ultraviolet induced immunosuppression and skin damage, including phenoxodiol (five patents pending and eight patents issued); and
- therapeutic methods and compositions involving isoflav-3-ene and isoflavan structure, including phenoxodiol (twelve patents pending and one patent granted).

The family relating to the manufacturing patent rights relate to:

- the production of isoflavone derivatives, including phenoxodiol (fourteen patents pending and four patents issued; one of these pending applications has recently been allowed and is anticipated to proceed to grant in the coming months).

Regarding the treatment of cancer, Novogen has been granted a U.S. Patent (No. 6,649,648) by the United States Patent and Trademark Office (USPTO) relating to the treatment of cancerous disease with isoflavone derivatives including phenoxodiol. U.S. Patent 6,649,648 also includes claims specifically directed to the treatment of ovarian cancer, breast cancer, prostate cancer, uterine cancer, bowel cancer, testicular cancer, endometrial cancer, leukemia and metastatic cancer with isoflavone derivatives including phenoxodiol.

More recently, Novogen has been granted U.S. Patent No. 7,202,273 with broad claims to pharmaceutical compositions comprising phenoxodiol.

NV-143 and NV-196

We have also licensed from Novogen the rights to patent applications as they relate to two novel anti-cancer compounds, NV-143 and NV-196. These compounds are isoflavan derivatives of phenoxodiol. The licensed patent rights relate to the novel compounds themselves ("composition of matter" rights) and to uses of these compounds as anti-cancer agents and sensitizers of cancer cells and tumors to chemotherapy and radiotherapy. The patent rights fall into two families of patent applications:

- composition of matter rights in respect of NV-143 and NV-196 and uses of these compounds as anti-cancer agents (four national patents, twelve pending patent applications and one international Patent Co-operation Treaty (PCT) pending); and
- uses of NV-143 and NV-196 as chemo-sensitizers and radiosensitizers of tumors and cancer cells (eleven patents pending).

As patent applications in the United States are maintained in secrecy until published by the USPTO at 18 months from filing, for all cases filed after November 29, 2000, or at issue, for cases filed prior to November 29, 2000. We cannot be certain that Novogen was the first to make the inventions covered by the Novogen patents and applications referred to above. Additionally, publication of discoveries in the scientific or patent literature often lag behind the actual discoveries. Moreover, pursuant to the terms of the Uruguay Round Agreements Act, patents filed on or after June 8, 1995 have a term of twenty years from the date of such filing, irrespective of the period of time it may take for such patent to ultimately issue. This may shorten the period of patent protection afforded to therapeutic uses of phenoxodiol or to NV-143 or NV-196, as patent applications in the biopharmaceutical sector often take considerable time to issue. However, in some countries the patent term may be extended.

In order to protect the confidentiality of our technology, including trade secrets and know-how and other proprietary technical and business information, we require all of our consultants, advisors and collaborators to enter into confidentiality agreements that prohibit the use or disclosure of information that is deemed confidential. The agreements also oblige our consultants, advisors and collaborators to assign to us developments, discoveries and inventions made by such persons in connection with their work with us relating to our products. We cannot be sure that confidentiality will be maintained or disclosure prevented by these agreements. We also cannot be sure that our proprietary information or intellectual property will be protected by these agreements or that others will not independently develop substantially equivalent proprietary information or intellectual property.

The pharmaceutical industry is highly competitive and patents may have been applied for by, and issued to, other parties relating to products competitive with phenoxodiol, NV-143 or NV-196. Use of these compounds and any other drug candidates may give rise to claims that they infringe the patents or proprietary rights of other parties, existing now and in the future. An adverse claim could subject us to significant liabilities to such other parties and/or require disputed rights to be licensed from such other parties. We cannot be sure that any licence required under any such patents or proprietary rights would be made available on terms acceptable to us, if at all. If we do not obtain such licences, we may encounter delays in product market introductions, or may find that the development, manufacture or sale of products requiring such licences may be precluded. We have not conducted any searches or made any independent investigations of the existence of any patents or proprietary rights of other parties.

Relationship with Novogen

Novogen has been granted patents and has additional patent applications pending in a number of countries pertaining to phenoxodiol’s family of compounds (and to phenoxodiol itself) in their use in anti-cancer therapeutics. Novogen has granted to us an exclusive licence under its patent rights and intellectual property rights in its relevant know-how to develop, market and distribute all forms of administering phenoxodiol for anti-cancer applications, except topical applications.

In May 2006, under the terms of the licence option deed with Novogen, we licenced two oncology compounds, NV-196 and NV-143, which qualified as option compounds. NV-196 is being developed initially in oral form for pancreatic and bile duct cancer and is currently in Phase I human testing. NV-143 is targeted for the treatment of melanoma, also in oral dose form, and is in pre-clinical testing stage. Under the terms of the licence agreement for NV-196 and NV-143, Novogen has granted to us an exclusive licence under its patent rights and the intellectual property rights in its relevant know-how to develop, market and distribute all forms of administering NV-196 and NV-143 for anti-cancer applications, except topical applications.

Novogen is active in the discovery and development of new drugs based on the emerging field of signal transduction regulation. Signal transduction regulators offer the potential for effective, well-tolerated treatment of common diseases, including cancer. Novogen has developed a family of chemically related compounds with potentially broad ranging and complementary anti-cancer effects.

We have entered into certain key agreements with Novogen which are discussed below.

Phenoxodiol

Under the licence agreement, Novogen granted us an exclusive world-wide, non-transferable licence, under the Novogen patent rights, to conduct clinical trials and commercialize and distribute all forms of administering phenoxodiol except topical applications. The agreement covers uses of phenoxodiol in the field of prevention, treatment or cure of cancer in humans. Our business is currently focused on advancing the clinical program underway for the development of phenoxodiol.

NV-196 and NV-143

Under a second licence agreement, Novogen granted us an exclusive world-wide, non-transferable licence, under the Novogen patent rights, to conduct clinical trials and commercialize and distribute all forms of administering NV-196 and NV-143, except topical applications. The agreement covers uses of NV-196 and NV-143 in the field of prevention, treatment or cure of cancer in humans. Our business is also currently focused on advancing the clinical program underway for the development of NV-196 and NV-143.

Licence Option deed

Under a licence option deed, Novogen granted us an exclusive first right to accept and an exclusive last right to match any proposed dealing by Novogen with its intellectual property rights in other synthetic compounds developed by Novogen that have known or potential anti-cancer applications in all forms, other than topical applications.

Services

Pursuant to a services agreement, Novogen provides services reasonably required by us relating to the development and commercialization of phenoxodiol, NV-196, NV-143, or other option compounds in relation to which we have exercised our rights under the licence option deed. We do not currently intend to directly employ any staff and are reliant upon Novogen for the provision of resources to conduct our business.

Manufacturing

Under a manufacturing licence and supply agreement, we have granted Novogen a sublicence to manufacture and supply phenoxodiol to us in its primary manufactured form for both the OVATURE clinical program and phenoxodiol's ultimate commercial use. Novogen has taken the strategic decision not to manufacture commercial 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. We have contracts with third parties to validate the developed 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 a New Drug Application ("NDA") submission. An NDA will be submitted if the Phase III study is successful, and approval of the NDA is required to market phenoxodiol. We will need to arrange similar contracts in the future to secure the supply of NV-196 and NV-143.

Research and Development

The objective of our research and development program is the generation of data sufficient to achieve regulatory approval of phenoxodiol, NV-196 and NV-143 in one or more dosage forms in major markets such as the United States, and/or to allow us to enter into a commercial relationship with another party. The data are generated by our clinical trial programs.

The key aspects of this program are to provide more complete characterization of the following:

- the relevant molecular targets of action of phenoxodiol, NV-196 and NV-143;
- the relative therapeutic benefits and indications of phenoxodiol, NV-196 and NV-143 as a monotherapy or as part of combinational therapy with other chemotoxics;
- the most appropriate cancer targets for phenoxodiol, NV-196 and NV-143; and
- the relative therapeutic indications of different dosage forms of phenoxodiol, NV-196 and NV-143.

Research expenses were $5.761 million for the year ended June 30, 2007, $3.427 million for the year ended June 30, 2006 and $2.279 million for the year ended June 30, 2005.

Regulation

U.S. Regulatory Requirements

The U.S. Food and Drug Administration, or FDA, and comparable regulatory agencies in other countries, regulate and impose substantial requirements upon the research, development, pre-clinical and clinical testing, labeling, manufacture, quality control, storage, approval, advertising, promotion, marketing, distribution and export of pharmaceutical products including biologics, as well as significant reporting and record-keeping obligations. State governments may also impose obligations in these areas.

In the United States, pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act or FDCA and other laws including in the case of biologics, the Public Health Service Act. We believe, but cannot be certain, that our products will be regulated as drugs by the FDA. The process required by the FDA before drugs may be marketed in the United States generally involves the following:

- pre-clinical laboratory evaluations, including formulation and stability testing, and animal tests performed under the FDA's Good Laboratory Practices regulations to assess potential safety and effectiveness;
- submission and approval of an Investigation New Drug, or IND, application, including results of pre-clinical tests and protocols for clinical tests, which must become effective before clinical trials may begin in the United States;

- obtaining approval of Institutional Review Boards or IRB's to administer the products to human subjects in clinical trials;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the product for the product's intended use;
- development of manufacturing processes which conform to FDA current Good Manufacturing Practices, or cGMPs, as confirmed by FDA inspection;
- submission of pre-clinical and clinical test results, and chemistry, manufacture and control information on the product to the FDA in a New Drug Approval Application, or NDA; and
- FDA review and approval of an NDA, prior to any commercial sale or shipment of a product.

The testing and approval process requires substantial time, effort, and financial resources, and we cannot be certain that any approval will be granted on a timely basis, if at all.

The results of the pre-clinical tests, together with initial specified manufacturing information, the proposed clinical trial protocol, and information about the participating investigators are submitted to the FDA as part of an IND, which must become effective before we may begin human clinical trials in the U.S. Additionally, an independent IRB must review and approve each study protocol and oversee conduct of the trial. An IND becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day period, raises concerns or questions about the conduct of the trials as outlined in the IND and imposes a clinical hold. If the FDA imposes a clinical hold, the IND sponsor must resolve the FDA's concerns before clinical trials can begin. Pre-clinical tests and studies can take several years to complete, and there is no guarantee that an IND we submit based on such tests and studies will become effective within any specific time period, if at all.

Human clinical trials are typically conducted in three sequential phases that may overlap.

• *Phase I:* The drug is initially introduced into healthy human subjects or patients and tested for safety and dosage tolerance. Absorption, metabolism, distribution, and excretion testing is generally performed at this stage.

• *Phase II:* The drug is studied in controlled, exploratory therapeutic trials in a limited number of subjects with the disease or medical condition for which the new drug is intended to be used in order to identify possible adverse effects and safety risks, to determine the preliminary or potential efficacy of the product for specific targeted diseases or medical conditions, and to determine dosage tolerance and the optimal effective dose.

• *Phase III:* When Phase II studies demonstrate that a specific dosage range of the drug is likely to be effective and the drug has an acceptable safety profile, controlled, large-scale therapeutic Phase III trials are undertaken at multiple study sites to demonstrate clinical efficacy and to further test for safety in an expanded patient population.

We cannot be certain that we will successfully complete Phase I, Phase II, or Phase III testing of our products within any specific time period, if at all. Furthermore the FDA, the IRB or we may suspend or terminate clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Results of pre-clinical studies and clinical trials, as well as detailed information about the manufacturing process, quality control methods, and product composition, among other things, are submitted to the FDA as part of an NDA seeking approval to market and commercially distribute the product on the basis of a determination that the product is safe and effective for its intended use. Before approving an NDA, the FDA will inspect the facilities at which the product is manufactured and will not approve the product unless cGMP compliance is satisfactory. If applicable regulatory criteria are not satisfied, the FDA may deny the NDA or require additional testing or information. As a condition of approval, the FDA also may require post-marketing testing or surveillance to monitor the product's safety or efficacy. Even after an NDA is approved, the FDA may impose additional obligations or restrictions (such as labeling changes), or even suspend or withdraw a product approval on the basis of data that arise after the product reaches the market, or if compliance with regulatory standards is not maintained. We cannot be certain that any NDA we submit will be approved by the FDA on a timely basis, if at all. Also, any such approval may limit the indicated uses for which the product may be marketed. Any refusal to approve, delay in approval, suspension or withdrawal of approval, or restrictions on indicated uses could have a material adverse impact on our business prospects.

Each NDA must be accompanied by a user fee, pursuant to the requirements of the Prescription Drug User Fee Act, or PDUFA, and its amendments. According to the FDA's fee schedule, effective on October 1, 2006 for the fiscal year 2007, the user fee for an application requiring clinical data, such as an NDA, is $896,200. The FDA adjusts the PDUFA user fees on an annual basis. PDUFA also imposes an annual product fee for prescription drugs and biologics ($49,750), and an annual establishment fee ($313,100) on facilities used to manufacture prescription drugs and biologics. A written request can be submitted for a waiver for the application fee for the first human drug application that is filed by a small business, but there are no waivers for product or establishment fees. We are not at the stage of development with our products where we are subject to these fees, but they are significant expenditures that may be incurred in the future and must be paid at the time of application submissions to FDA.

Satisfaction of FDA requirements typically takes several years. The actual time required varies substantially, based upon the type, complexity, and novelty of the pharmaceutical product, among other things. Government regulation imposes costly and time-consuming requirements and restrictions throughout the product life cycle and may delay product marketing for a considerable period of time, limit product marketing, or prevent marketing altogether. Success in pre-clinical or early stage clinical trials does not ensure success in later stage clinical trials. Data obtained from pre-clinical and clinical activities are not always conclusive and may be susceptible to varying interpretations that could delay, limit, or prevent marketing approval. Even if a product receives marketing approval, the approval is limited to specific clinical indications. Further, even after marketing approval is obtained, the discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

After product approval, there are continuing significant regulatory requirements imposed by the FDA, including record-keeping requirements, obligations to report adverse side effects in patients using the products, and restrictions on advertising and promotional activities. Quality control and manufacturing procedures must continue to conform to cGMPs, and the FDA periodically inspects facilities to assess cGMP compliance. Additionally, post-approval changes in ingredient composition, manufacturing processes or facilities, product labeling, or other areas may require submission of an NDA Supplement to the FDA for review and approval. New indications will require additional clinical tests

and submission of an NDA Supplement. Failure to comply with FDA regulatory requirements may result in an enforcement action by the FDA, including Warning Letters, product recalls, suspension or revocation of product approval, seizure of product to prevent distribution, impositions of injunctions prohibiting product manufacture or distribution, and civil and criminal penalties. Maintaining compliance is costly and time-consuming. We cannot be certain that we, or our present or future suppliers or third-party manufacturers, will be able to comply with all FDA regulatory requirements, and potential consequences of noncompliance could have a material adverse impact on our business prospects.

The FDA's policies may change, and additional governmental regulations may be enacted that could delay, limit, or prevent regulatory approval of our products or affect our ability to manufacture, market, or distribute our products after approval. Moreover, increased attention to the containment of healthcare costs in the United States and in foreign markets could result in new government regulations that could have a material adverse effect on our business. Our failure to obtain coverage, an adequate level of reimbursement, or acceptable prices for our future products could diminish any revenues we may be able to generate. Our ability to commercialize future products will depend in part on the extent to which coverage and reimbursement for the products will be available from government and health administration authorities, private health insurers, and other third-party payers. European Union and U.S. government and other third-party payers increasingly are attempting to contain healthcare costs by consideration of new laws and regulations limiting both coverage and the level of reimbursement for new drugs. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

Our activities also may be subject to state laws and regulations that affect our ability to develop and sell our products. We are also subject to numerous federal, state, and local laws relating to such matters as safe working conditions, clinical, laboratory, and manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future, and the failure to comply may have a material adverse impact on our business prospects.

The FDCA includes provisions designed to facilitate and expedite the development and review of drugs and biological products intended for treatment of serious or life-threatening conditions that demonstrate the potential to address unmet medical needs for such conditions. These provisions set forth a procedure for designation of a drug as a "fast track product." The fast track designation applies to the combination of the product and specific indication for which it is being studied. A product designated as fast track is ordinarily eligible for additional programs for expediting development and review, but products that are not in fast track drug development programs may also be able to take advantage of these programs. These programs include priority review of NDAs and accelerated approval. Drug approval under the accelerated approval regulations may be based on evidence of clinical effect on a surrogate endpoint that is reasonably likely to predict clinical benefit. A postmarketing clinical study will be required to verify clinical benefit, and other restrictions to assure safe use may be imposed.

Under the Drug Price Competition and Patent Term Restoration Act of 1984 (the "Patent Act"), a sponsor may obtain marketing exclusivity for a period of time following FDA approval of certain drug applications, regardless of patent status, if the drug is a new chemical entity or if new clinical studies were required to support the marketing application for the drug. This marketing exclusivity prevents a third party from obtaining FDA approval for an identical or nearly identical drug under an Abbreviated New Drug Application ("ANDA") or a "505(b)(2) New

Drug Application." The statutealso allows a patent owner to obtain an extension of applicable patent terms for a period equal to one-half the period of time elapsed between the filing of an IND and the filing of the corresponding NDA plus the period of time between the filing of the NDA and FDA approval, with a five year maximum patent extension. We cannot be certain that Novogen will be able to take advantage of either the patent term extension or marketing exclusivity provisions of these laws.

The Best Pharmaceuticals for Children Act, signed into law on January 4, 2002, provides an additional six months of marketing exclusivity for new or marketed drugs, for which specific pediatric studies were conducted at the written request of the FDA. On December 3, 2003, the Pediatric Research Equity Act was signed into law, authorizing the FDA to require pediatric studies for drugs and biological products to ensure the drugs' or products' safety and effectiveness in children. This Act required that NDAs or supplements to NDAs contain data assessing the safety and effectiveness for the claimed indication in all relevant pediatric subpopulations. Dosing and administration must be supported for each pediatric subpopulation for which the drug is safe and effective. The FDA may grant deferrals for submission of data, or full or partial waivers.

Australian Regulatory Requirements

The *Therapeutic Goods Act 1989*, or 1989 Act, sets out the legal requirements for the import, export, manufacture and supply of pharmaceutical products in Australia. The 1989 Act requires that all pharmaceutical products to be imported into, supplied in, manufactured in or exported from Australia be included in the Australian Register of Therapeutic Goods, or ARTG, unless specifically exempted under the Act.

In order to ensure that a product can be included in the ARTG, a sponsoring company must make an application to the Therapeutic Goods Administration, or TGA. The application usually consists of a form accompanied by data (based on the European Union requirements) to support the quality, safety and efficacy of the drug and payment of a fee. Application details are available on the TGA website http://www.tga.gov.au.

The first phase of evaluation, known as the Application Entry Process, is usually a short period during which an application is assessed on an administrative level to ensure that it complies with the basic guidelines. The TGA must decide within at least 40 working days whether it will accept the application for evaluation.

Once an application is accepted for evaluation, aspects of the data provided are allocated to evaluators within the different relevant sections, who prepare evaluation reports. Following evaluation, the chemistry and quality control aspects of a product may be referred to a sub-committee of the Australian Drug and Evaluation Committee, or ADEC, to review the relevant evaluation reports. The evaluation reports (along with any resolutions of the ADEC sub-committee) are then sent to the sponsoring company who then has the opportunity to comment on the views expressed within the evaluation report, provide corrections and to submit supplementary data to address any issues raised in the evaluation reports.

Once the evaluations are complete, the TGA prepares a summary document on the key issues on which advice will be sought from the ADEC. This summary is sent to the sponsoring company which is able to submit a response to the ADEC dealing with issues raised in the summary and those not previously addressed in the evaluation report. The ADEC provides independent advice on the quality, risk-benefit, effectiveness and access of the drug and conduct medical and scientific evaluations of the application. The ADEC's resolutions are provided to the sponsoring company after 5 working days after the ADEC meeting.

The TGA takes into account the advice of the ADEC in reaching a decision to approve or reject a product. Any approval for registration on the ARTG may have conditions associated with it.

From the time that the TGA accepts the initial application for evaluation, the TGA must complete the evaluation and make a decision on the registration of the product within at least 255 working days. The TGA also has a system of priority evaluation for products that meet certain criteria, including where the product is a new chemical entity that it is not otherwise available on the market as an approved product, and is for the treatment of a serious, life-threatening illness for which other therapies are either ineffective or not available.

European Union Regulatory Requirements

Outside the United States, our ability to market our products will also be contingent upon receiving marketing authorizations from the appropriate regulatory authorities and compliance with applicable post-approval regulatory requirements. Although the specific requirements and restrictions vary from country to country, as a general matter, foreign regulatory systems include risks similar to those associated with FDA regulation, described above. Under EU regulatory systems, marketing authorizations may be submitted either under a centralized or a national procedure. Under the centralized procedure, a single application to the European Medicines Agency (EMEA) leads to an approval granted by the European Commission which permits the marketing of the product throughout the EU. The centralized procedure is mandatory for certain classes of medicinal products, but optional for others. For example, all medicinal products developed by certain biotechnological means, and those developed for cancer and other specified diseases and disorders, must be authorized via the centralized procedure. We assume that the centralized procedure will apply to our products that are developed by means of a biotechnology process. The national procedure is used for products that are not required to be authorized by the centralized procedure. Under the national procedure, an application for a marketing authorization is submitted to the competent authority of one member state of the EU. The holders of a national marketing authorization may submit further applications to the competent authorities of the remaining member states via either the decentralized or mutual recognition procedure. The decentralized procedure enables applicants to submit an identical application to the competent authorities of all member states where approval is sought at the same time as the first application, while under the mutual recognition procedure, products are authorized initially in one member state, and other member states where approval is sought are then requested to recognize the original authorization based upon an assessment report prepared by the original authorizing competent authority. Both the decentralized and mutual recognition procedures should take no longer than 90 days, but if one member state makes an objection, which under the legislation can only be based on a possible risk to human health, the application will be automatically referred to the Committee for Medicinal Products for Human Use (CHMP) of the EMEA. If a referral for arbitration is made, the procedure is suspended. However, member states that have already approved the application may, at the request of the applicant, authorize the product in question without waiting for the result of the arbitration. Such authorizations will be without prejudice to the outcome of the arbitration. For all other concerned member states, the opinion of the CHMP, which is binding, could support or reject the objection or alternatively could reach a compromise position acceptable to all EU countries concerned. The arbitration procedure may take an additional year before a final decision is reached and may require the delivery of additional data.

As with FDA approval we may not be able to secure regulatory approvals in Europe in a timely manner, if at all. Additionally, as in the United States, post-approval regulatory requirements, such as those regarding product manufacture, marketing, or distribution, would apply to any product that is approved in Europe, and failure to comply with such obligations could have a material adverse effect on our ability to successfully commercialize any product.

The conduct of clinical trials in the European Union is governed by the European Clinical Trials Directive (2001/20/EC), which was implemented in May 2004. This Directive governs how regulatory bodies in member states control clinical trials. No clinical trial may be started without a clinical trial authorization granted by the national competent authority and favorable ethics approval.

Accordingly, there is a marked degree of change and uncertainty both in the regulation of clinical trials and in respect of marketing authorizations which face us for our products in Europe.

Government Funding

Novogen received financial support for the phenoxodiol drug program from the Australian government under what is known as the START Program. The START Program is a merit-based program designed to encourage and assist Australian companies to undertake research and development and commercialization through a range of grants and loans. The START Program is administered by the Industry Research and Development, or IR&D Board. The IR&D Board is made up of private sector and academic members with expertise and experience in research and development and commercialization. In 1998, the Australian government agreed to provide A$2.7 million (approximately U.S. $1.8 million) to Novogen, enabling it to expedite phenoxodiol into clinical trials, provided that the grant money was matched by an equal expenditure by Novogen. The START grant was awarded after the government's review of the pertinent research results, the intellectual property driving the program, and the likelihood and potential for commercial success of the drug.

The terms of the grant require Novogen to obtain the consent of the Australian government to deal with the intellectual property rights which have arisen through the program conducted to date. Novogen has obtained the consent of the Australian government to the grant of the licence to us and to the other arrangements between us and Novogen concerning the development and commercialization of phenoxodiol.

Under the START Program, Novogen must meet certain project development and commercialization obligations. Novogen has met the project development obligations and has received final payment thereon. Novogen believes that it is currently in compliance with its commercialization schedule and that it has fulfilled all of its obligations under the terms of the START Program and expects to continue to do so in the future. For additional information on the consequences to us in the event Novogen fails to comply with its obligations under the START Program, see the "Intellectual Property" and "Risk Factors" sections of this annual report.

Employees

We do not have any employees. Novogen provides us with staff and other financial and administrative services under our services agreement with Novogen.

Item 1A. **Risk Factors**

In addition to the other information in this Annual Report the following risk factors should be considered carefully in evaluating us and our business.

Risks Related to Our Business

We will need additional funds to complete the OVATURE Phase III clinical trial for phenoxodiol and to progress the clinical trial program for NV-196 and NV-143. The actual amount of funds we will need will be determined by a number of factors, some of which are beyond our control.

We will need additional funds to complete the OVATURE Phase III clinical trial for phenoxodiol and to progress the clinical trial program for NV-196 and NV-143. The actual amount of funds that we will need to complete these projects will be determined by a number of factors, some of which are beyond our control. These factors may include the following:

- 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 rate that they are recruited;
- the number of treatment cycles patients complete while they are enrolled in the trials; and
- the efficacy and safety profile of the product.

If we are unable to obtain additional funds on favourable terms we may be required to cease or reduce our operations. Also, if we raise more funds by selling additional shares of our common stock or securities convertible into or exercisable for shares of our common stock, the ownership interests of our common stockholders will be diluted.

We may not complete our OVATURE Phase III trial on schedule, or at all, or it may be conducted improperly, which will delay or preclude FDA marketing approval and increase costs.

The completion of our OVATURE clinical trial may be delayed or terminated for many reasons, including, but not limited to, if:

- we are unable to identify and contract clinical trial sites and clinical investigators at the rate we expect or those sites are delayed from commencing patient recruitment due to regulatory hospital ethics committee approvals or those investigators do not perform to our anticipated patient recruitment schedule or comply with the clinical trial protocol;
- patients are not available to enrol at the rate we currently expect, or that trial sites are unable to recruit their target patient numbers due to the strict inclusion criteria of the OVATURE protocol which may reduce the patient pool available to participate in the trial;
- subjects experience an unacceptable rate or severity of adverse side effects;
- third party clinical investigators do not conduct the trial in compliance with Good Clinical Practice and regulatory requirements, or other third parties do not perform data collection and analysis in a timely or accurate manner;
- one or more IRB suspends or terminates the trial at an investigational site, precludes enrolment of additional subjects, or withdraws its approval of the trial; or

- one or more of our clinical investigators withdraws from our trials or deviates from our approved protocol.

Our costs will increase if we have material delays in our OVATURE pivotal trial, or if we are required to modify, suspend, terminate or repeat it.

If the data from our OVATURE Phase III clinical trial do not demonstrate the safety and effectiveness of phenoxodiol to the FDA's satisfaction, we will not receive FDA approval to market phenoxodiol in the United States.

In 2004, the FDA granted phenoxodiol fast track status for patients with recurrent late stage ovarian cancer that is resistant or refractory to platins and taxanes. More recently we completed an SPA where the FDA reviewed and agreed with the design of a Phase III study of phenoxodiol in combination with carboplatin in women with platinum-resistant ovarian cancer (ovarian cancer that does not respond to platinum based anti-cancer agents such as cisplatin). If the FDA concludes, using agreed clinical endpoints, that the data from our pivotal clinical trial have failed to demonstrate the safety and effectiveness of phenoxodiol to the satisfaction of the FDA, we will not receive FDA approval to market phenoxodiol in the United States. We cannot assure you that the results of our Phase III trial will be successful.

The third-party manufacturers that we rely upon for the production of phenoxodiol for our clinical trials, and for future commercial quantities, may not be in compliance with FDA regulatory requirements.

The conduct of our clinical trials and approval of our marketing application for phenoxodiol may be delayed or adversely affected if the third-party manufacturers that we rely upon for the production of phenoxodiol fail to comply with FDA's regulatory requirements for cGMPs. FDA requires drug manufacturers to establish and maintain quality control procedures for manufacturing, processing, and holding drugs and investigational products, and products must be manufactured in accordance with defined specifications. The failure of contract manufacturers to supply investigational product in compliance with the defined specifications for phenoxodiol may delay the completion of our clinical trials. As part of the pre-market approval process, the manufacturer will be inspected by FDA to ensure compliance with cGMPs. The failure of contract manufacturers to comply with applicable regulations may result in a delay or prevent approval of our marketing application.

If we do not receive marketing approval, our commercial prospects for phenoxodiol will be impaired.

Clinical trials have a high risk of failure. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. If our clinical trials are unsuccessful, our prospects for commercializing phenoxodiol will be impaired and we may be required to cease or reduce our operations. This will have a significant impact on our share price.

Final approval by regulatory authorities of our drug candidates for commercial use may be delayed, limited or prevented, any of which would adversely affect our ability to generate operating revenues.

Any of the following factors may serve to delay, limit or prevent the final approval by regulatory authorities of our drug candidates for commercial use:

- NV-196 and NV-143 are in the early stages of clinical development and we will need to conduct significant clinical testing to prove safety and efficacy before applications for marketing can be filed with the FDA, or with the regulatory authorities of other countries;
- data obtained from pre-clinical and clinical tests can be interpreted in different ways, which could delay, limit or prevent regulatory approval;
- development and testing of product formulation, including identification of suitable excipients, or chemical additives intended to facilitate delivery of our drug candidates;
- it may take us many years to complete the testing of other drug candidates, and failure can occur at any stage of this process; and
- negative or inconclusive results or adverse medical events during a clinical trial could cause us to delay or terminate our development efforts.

While we have not encountered any material delays or adverse events from the factors described above to date, we cannot assure you that such delays or adverse events will not be encountered in the future.

We have a limited operating history, and we are likely to incur operating losses for the foreseeable future.

You should consider our prospects in light of the risks and difficulties frequently encountered by early stage and developmental companies. Although we were incorporated in December 2000, we have only been in operation since May 2002. We have incurred net losses of $39,321,000 since our inception, including net losses of $13,820,000, $7,386,000 and $6,421,000 for the years ended June 30, 2007, 2006 and 2005, respectively. We anticipate that we will incur operating losses and negative operating cash flow for the foreseeable future. We have not yet commercialized any drug candidates and cannot be sure that we will ever be able to do so, or that we may ever become profitable. We have expanded our clinical trials significantly with the commencement of the OVATURE trial, which will result in increasing losses and we may continue to incur substantial losses in future even if we begin to generate revenues from the distribution and sale of phenoxodiol.

We may not be able to establish the strategic partnerships necessary to develop, market and distribute phenoxodiol.

A key part of our business plan is to establish relationships with strategic partners. We must successfully contract with third parties to package, market and distribute phenoxodiol. We have not yet established any strategic partnerships. Potential partners may not wish to enter into agreements with us due to Novogen's current equity position as our majority stockholder or our contractual relationships with Novogen. Similarly, potential partners may be discouraged by our limited operating history. Additionally, our relative attractiveness to potential partners and consequently, our ability to negotiate acceptable terms in any partnership agreement will be affected by the results of our clinical program. For example, if phenoxodiol is shown to have high efficacy against a broad range of cancers we may generate greater interest from potential partners than if phenoxodiol was demonstrated to be less effective or applicable to a narrower range of cancers. There is no assurance that we

will be able to negotiate commercially acceptable licensing or other agreements for the future exploitation of phenoxodiol, including the continued clinical development, manufacture or marketing of phenoxodiol. If we are unable to successfully contract for these services, or if arrangements for these services are terminated, we may have to delay our commercialization program for phenoxodiol which will adversely affect our ability to generate operating revenues.

We have not yet submitted an IND for NV-196 or NV-143 product candidates with the FDA and until an IND becomes effective, we will not be able to perform human clinical trials in the United States.

Although we have conducted two Phase I clinical trials of NV-196 in Australia, we have not yet submitted an IND to the FDA. NV-143 has not yet commenced clinical trials in humans. Until an IND becomes effective, we will not be able to perform human clinical trials of our NV-196 or NV-143 product candidates in the United States. Approval to begin clinical testing in the United States requires submission of: (i) adequate information on the safety and manufacturing of NV-196 or NV-143 to assure the proper identification quality, purity and strength of the investigational product, (ii) summary of pharmacological and toxicological effects, pharmacokinetics (how the drug is absorbed and metabolised) and biological disposition in animals, (iii) the proposed protocol for any planned clinical study, and (iv) a brief description of the overall plan for investigating the product. Although we intend to prepare an IND to be submitted to the FDA, we do not know whether or when the IND will become effective.

Our commercial opportunity will be reduced or eliminated if competitors develop and market products that are more effective, have fewer side effects or are less expensive than phenoxodiol.

The development of phenoxodiol and other drug candidates is highly competitive. A number of other companies have products or drug candidates in various stages of pre-clinical or clinical development that are intended for the same therapeutic indications for which phenoxodiol is being developed. Some of these potential competing drugs are further advanced in development than phenoxodiol and may be commercialized sooner. Even if we are successful in developing effective drugs, phenoxodiol may not compete successfully with products produced by our competitors.

Our competitors include pharmaceutical companies and biotechnology companies, as well as universities and public and private research institutions. In addition, companies active in different but related fields represent substantial competition for us. Many of our competitors developing oncology drugs have significantly greater capital resources, larger research and development staffs and facilities and greater experience in drug development, regulation, manufacturing and marketing than us. These organizations also compete with Novogen, our services provider, to recruit qualified personnel, and with us to attract partners for joint ventures and to license technologies that are competitive with ours. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies or our drug candidates obsolete or non-competitive.

We have no direct control over the costs of manufacturing phenoxodiol, NV-196 or NV-143 and increases in these costs would increase the costs of conducting clinical trials and could adversely affect future profitability if these costs increase significantly.

We do not intend to manufacture phenoxodiol or NV-196 or NV-143 ourselves and we will be relying on third parties for our supplies of phenoxodiol both for clinical trials and for commercial quantities in the future. Novogen, has taken the strategic decision not to manufacture on a large scale API’s 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 registered with the FDA, have a track record of large scale API's manufacture and have already invested in capital and equipment. We have completed the novation to Marshall Edwards Pty Limited ("MEPL") of contracts that Novogen had entered into with third parties to validate the developed scalable manufacturing method to ensure that sufficient quantities of phenoxodiol can be manufactured in compliance with the FDA's current Good Manufacturing Practices ("cGMP") and to complete the analytical and stability work necessary for a New Drug Application ("NDA") submission for marketing approval. An NDA will be submitted if the planned Phase III study is successful, and approval of the NDA is required to market phenoxodiol. We will need to arrange similar contracts in the future to secure the supply of NV-196 and NV-143. We have no direct control over the costs of manufacturing our product candidates. If the costs of manufacturing increase or if the cost of the materials used increases, these costs will be passed on to us making the cost of conducting clinical trials more expensive. Increases in manufacturing costs could adversely affect our future profitability if we are unable to pass all of the increased costs along to our customers.

We may not be able to secure and maintain suitable research institutions to conduct our clinical trials.

We rely on suitable research institutions, of which there are many, to conduct our clinical trials. Our reliance upon research institutions, including hospitals and cancer clinics, provides us with less control over the timing and cost of clinical trials and the ability to recruit patients than if we had conducted the trials on our own. Further, there is a greater likelihood that disputes may arise with these research institutions over the ownership of intellectual property discovered during the clinical trials. If we are unable to reach agreement with suitable research institutions on acceptable terms, or if any resulting agreement is terminated and we are unable to quickly replace the applicable research institution with another qualified institution on acceptable terms, the research could be delayed and we may be unable to complete development, or commercialize phenoxodiol, NV-196 or NV-143, which will adversely affect our ability to generate operating revenues.

We face a risk of product liability claims and may not be able to obtain adequate insurance.

Our business exposes us to the risk of product liability claims. This risk is inherent in the manufacturing, testing and marketing of human therapeutic products. We have product liability insurance coverage of up to approximately $17.4 million. Although we believe that this amount of insurance coverage is appropriate for our business at this time, it is subject to deductibles and coverage limitations, and the market for such insurance is becoming more restrictive. We may not be able to obtain or maintain adequate protection against potential liabilities. If we are unable to sufficiently insure against potential product liability claims, we will be exposed to significant liabilities, which may materially and adversely affect our business development and commercialization efforts.

Our rights to develop and exploit phenoxodiol and the anti-cancer compounds NV-196 and NV-143 are subject to the terms and conditions of agreements we have entered into with Novogen, and under these agreements our rights may be terminated under certain circumstances, some of which may be beyond our control.

We have licensed the intellectual property in the phenoxodiol technology and the anti-cancer compounds NV-196 and NV-143 from Novogen. Under the terms of the license agreement for phenoxodiol, all forms of administering phenoxodiol for the treatment of cancer are licensed to us, excluding topical applications. Under the terms of the license agreement for NV-196 and NV-143, all forms of administering drugs containing

the anti-cancer compounds NV-196 and NV-143 are licensed to us, excluding topical applications. If we fail to meet our obligations under our license agreements, the manufacturing license and supply agreement or the services agreement with Novogen, any or all of these agreements may be terminated by Novogen and we could lose our rights to develop phenoxodiol or anti-cancer drugs containing NV-196 and NV-143. To date, we have no reason to believe that we will be unable to satisfy our obligations under these agreements. In addition, each of these agreements may be terminated immediately by Novogen in the event that we undergo a change of control without the consent of Novogen. A "change of control" means a change in control of more than half the voting rights attaching to the shares of our subsidiary, a change in control of more than half of the issued shares of our subsidiary (not counting any share which carries no right to participate beyond a specified amount in the distribution of either profit or capital) or a change in control of the composition of the board of directors of our subsidiary. Each of these agreements may also be terminated if we cease for any reason to be able to lawfully carry out all the transactions required by each respective agreement.

Our license rights are fundamental to our business and therefore a loss of these rights will likely cause us to cease operations.

The rights granted to us under the license agreements, the manufacturing license and supply agreement and the license option deed with Novogen are fundamental to our business. The license agreement for phenoxodiol grants us the right to make, have made, market, distribute, sell, hire or otherwise dispose of phenoxodiol products in the field of prevention, treatment or cure of cancer in humans by pharmaceuticals delivered in all forms except topical applications. The license agreement for NV-196 and NV-143 grants us the right to make, have made, market, distribute, sell, hire or otherwise dispose of anti-cancer drugs containing the compounds NV-196 and NV-143 in the field of prevention, treatment or cure of cancer in humans by pharmaceuticals delivered in all forms except topical applications. Our business purpose is to develop and commercialize cancer drugs including phenoxodiol and drugs containing the compounds NV-196 and NV-143, which we would be unable to pursue without the rights granted to us under the license agreements. The license option deed grants us an exclusive first right to accept and exclusive last right to match any proposed dealing by Novogen with its intellectual property rights with a third party relating to certain compounds (other than phenoxodiol) developed by Novogen and its affiliates which have applications in the field of prevention, treatment or cure of cancer in humans. The license option deed is important to our business because it allows us to maintain control over the sale by Novogen of complementary as well as potentially competitive intellectual property rights to third party competitors. Any loss of the rights under any of these agreements will likely cause us to cease operations.

The success of our product candidates is largely dependent on Novogen's ability to obtain and maintain patent protection and preserve trade secrets, which cannot be guaranteed.

Patent protection and trade secret protection are important to our business and our future will depend, in part on our ability and the ability of Novogen to maintain trade secret protection, obtain patents and operate without infringing the proprietary rights of others both in the United States and abroad. Litigation or other legal proceedings may be necessary to defend against claims of infringement, to enforce our patents, or to protect our trade secrets or the trade secrets of Novogen. Such litigation could result in substantial costs and diversion of our management's attention. Novogen has not been involved in any opposition re-examination trade secret dispute, infringement litigation or any other litigation or legal proceedings pertaining to the licensed patent rights.

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. Novogen has applied for patents in a number of countries with respect to the use of phenoxodiol for the treatment, prevention or cure of cancer. We have licensed both issued patents and pending patent applications from Novogen. Novogen has issued patents in the United States, Australia and Singapore covering the use of phenoxodiol to prevent or treat skin cancer from ultraviolet damage. Novogen also has patents issued in Australia, Hong Kong, New Zealand and the United Kingdom related to phenoxodiol for the treatment of a variety of cancers and has recently received a patent grant in the United States that is also related to phenoxodiol for the treatment of a variety of cancers.

Novogen's applications may not proceed to grant or may be amended to reduce the scope of protection of any patent granted. The applications and patents may also be opposed or challenged by third parties. Our commercial success will depend, in part, on the ability of Novogen and our ability to obtain and maintain effective patent protection for the technologies underlying phenoxodiol and other compounds, and to successfully defend patent rights in those technologies against third-party challenges. As patent applications in the United States are maintained in secrecy until published or issued and as publication of discoveries in the scientific or patent literature often lag behind the actual discoveries, we cannot be certain that Novogen was the first to make the inventions covered by its pending patent applications or issued patents or that it was the first to file patent applications for such inventions. Additionally, the breadth of claims allowed in biotechnology and pharmaceutical patents or their enforceability cannot be predicted. We cannot be sure that any additional patents will issue from any of Novogen's patent applications or, should any patents issue, that we will be provided with adequate protection against potentially competitive products. Furthermore, we cannot be sure that should patents issue, they will be of commercial value to us, or that private parties, including competitors, will not successfully challenge our patents or circumvent our patent position in the United States or abroad.

Claims by other companies that we infringe their proprietary technology may result in liability for damages or stop our development and commercialization efforts.

The pharmaceutical industry is highly competitive and patents have been applied for by, and issued to, other parties relating to products competitive with phenoxodiol. Therefore, phenoxodiol and any other drug candidates may give rise to claims that they infringe the patents or proprietary rights of other parties existing now and in the future. Furthermore, to the extent that we or Novogen or our respective consultants or research collaborators use intellectual property owned by others in work performed for us or Novogen, disputes may also arise as to the rights in such intellectual property or in resulting know-how and inventions. An adverse claim could subject us to significant liabilities to such other parties and/or require disputed rights to be licensed from such other parties.

We have currently contracted formulation development and manufacturing process development work for phenoxodiol formulation. This work is being conducted to ensure that there is a robust production process which meets the expected commercial quantities of phenoxodiol and that dose formulations are manufactured on a cost effective basis.

This process has identified a number of excipients, or additives to improve drug delivery, that may be used in the formulations of phenoxodiol. Excipients, among other things, perform the function of a carrier of the active drug ingredient in the intravenous formulation. Some of these identified excipients or carriers may be included in third party patents in some countries. We intend to seek a license if we decide to use a patented excipient in the marketed intravenous product or we may choose one of those excipients that do not have a license requirement.

We cannot be sure that any license required under any such patents or proprietary rights would be made available on terms acceptable to us, if at all. If we do not obtain such licenses, we may encounter delays in product market introductions, or may find that the development, manufacture or sale of products requiring such licenses may be precluded. We have not conducted any searches or made any independent investigations of the existence of any patents or proprietary rights of other parties.

We may be subject to substantial costs stemming from our defense against third-party intellectual property infringement claims.

Third parties may assert that we or Novogen are using their proprietary information without authorization. Third parties may also have or obtain patents and may claim that technologies licensed to or used by us infringe their patents. If we are required to defend patent infringement actions brought by third parties, or if we sue to protect our own patent rights, we may be required to pay substantial litigation costs and managerial attention may be diverted from business operations even if the outcome is not adverse to us. In addition, any legal action that seeks damages or an injunction to stop us from carrying on our commercial activities relating to the affected technologies could subject us to monetary liability and require us or Novogen or any third party licensors to obtain a license to continue to use the affected technologies. We cannot predict whether we or Novogen would prevail in any of these types of actions or that any required license would be made available on commercially acceptable terms or at all.

In the event that Novogen does not comply with its obligations under a grant from the Australian Government under which phenoxodiol was, in part, developed, our rights to use the intellectual property relating to phenoxodiol and developed by Novogen may revert back to the Australian Government.

Novogen developed phenoxodiol in part using funds from the Australian Government under what is known as the START Program. Under the START Program, Novogen must meet certain project development and commercialization obligations. Novogen has met the project development obligations and has received final payment thereon. Novogen believes it is currently in compliance with its commercialization schedule. Although Novogen believes that it has complied with its obligations under the START Program, if the Australian Government disagrees or if Novogen undergoes a change of control without the prior consent of the Australian Government, the Australian Government has a right to demand that intellectual property created during the course of the project funded by the grant be vested back in the Australian Government or demand repayment of the funds paid to Novogen under the program. The Australian Government may then license the intellectual property rights related to phenoxodiol to other parties and may demand other intellectual property rights from Novogen. Any such reclamation by the Australian Government could preclude our use of Novogen’s intellectual property in the development and commercialization of phenoxodiol and we may have to compete with other companies to whom the Australian Government may license the intellectual property.

The enforcement of civil liabilities against our officers and directors may be difficult.

Most of our officers and directors are residents of jurisdictions outside the United States. As a result it may be difficult for you to effect service of process within the United States upon all our officers and directors or to enforce judgments obtained against all our officers and directors or us in United States courts.

Our results are affected by fluctuations in currency exchange rates.

Much of our expenditures and potential revenue will be spent or derived outside of the United States. As a result, fluctuations between the United States dollar and the currencies of the countries in which we operate may increase our costs or reduce our potential revenue. At present, we do not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the U.S. dollar.

We are authorized to issue a class of blank check preferred stock, which could adversely affect the holders of our common stock.

Our restated certificate of incorporation allows us to issue a class of blank check preferred stock with rights potentially senior to those of our common stock without any further vote or action by the holders of our common stock. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of our common stock or could adversely affect the rights and powers including voting rights, of such holders. In certain circumstances such issuance could have the effect of decreasing the market price of our shares, or making a change in control of us more difficult.

Risks Related to Our Relationship with Novogen

As our majority stockholder, Novogen has the ability to determine the outcome of all matters submitted to our stockholders for approval and Novogen's interests may conflict with ours or our other stockholders' interests.

Novogen beneficially owns approximately 71.9% (as at the date of this report) of our outstanding shares of common stock. As a result, Novogen will have the ability to effectively determine the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets.

Novogen will have the ability to effectively control our management and affairs. Novogen's interests may not always be the same as that of our other stockholders. In addition this concentration of ownership may harm the market price of our shares by:

- delaying, deferring or preventing a change in control;
- impeding a merger, consolidation, takeover or other business combination involving us;
- discouraging a potential acquirer from making a tender, offer or otherwise attempting to obtain control of us; or
- selling us to a third party.

Three of our directors and our secretary and chief financial officer are officers and/or directors of Novogen and other Novogen subsidiaries, which may create a conflict of interest as well as prevent them from devoting their full attention to us.

Three of our board members currently serve as board members of Novogen. Simultaneous service as a Novogen director or officer could create, or appear to create, a conflict of interest when such directors are presented with decisions that could have different implications for us and Novogen.

Mr. Philip Johnston is the chairman of Novogen Limited, Mr. Christopher Naughton is the managing director of Novogen Limited and Professor Paul John Nestel is a director of Novogen Limited. Mr. David Seaton is chief financial officer of Novogen. The responsibilities of Messrs. Johnston, Naughton and Seaton and Professor Nestel to Novogen could prevent them from devoting their full attention to us, which could be harmful to the development of our business.

We depend on a number of key personnel whose services are provided by Novogen under our services agreement. If we are not able to procure these services in the future, the strategic direction of the clinical development program would be disrupted, causing a delay in our commercialization program.

We currently rely on Professor Alan Husband, Novogen Research Director, and Mr. Christopher Naughton, our President and Chief Executive Officer, to provide the strategic direction for the clinical development of phenoxodiol. If we are unable to secure the ongoing services of these key personnel, the commercialization program for phenoxodiol will be disrupted and will cause delays in obtaining marketing approval. Novogen has entered into employment agreements with Professor Husband and Mr. Naughton.

Novogen can compete with us.

We have no contract, arrangement or understanding with Novogen to preclude it from developing a product which may be competitive with phenoxodiol, NV-196 or NV-143 or to use these compounds for any uses other than anti-cancer applications. Novogen has reserved the intellectual property rights and know-how rights relating to topical applications of these compounds even in the field of cancer. There can be no assurance that Novogen or its subsidiaries will not pursue alternative technologies or product candidates as a means of developing treatments for the conditions targeted by phenoxodiol or any other product candidate which we seek to exploit.

We are dependent on Novogen for our personnel.

We have no employees. We rely on Novogen to provide or procure the provision of staff and other financial and administrative services under our services agreement with Novogen. We believe Novogen has fully complied with the terms of our services agreement. To successfully develop our drug candidates, we will require ongoing access to the personnel who have, to date, been responsible for the development of our drug candidates. The services agreement does not specify a minimum amount of time that Novogen employees must devote to our operations. If we are unable to secure or if we lose the services of these personnel, the ability to develop our drug candidates could be materially impaired. Moreover, if our business experiences substantial and rapid growth, we may not be able to secure the services and resources we require from Novogen or from other persons to support that growth.

Risks Related to Our Common Stock

The trading price of the shares of our common stock could be highly volatile and could decline in value and we may incur significant costs from class action litigation.

The trading price of our common stock could be highly volatile in response to various factors, many of which are beyond our control, including:

- developments concerning phenoxodiol and our other drug candidates NV-196 and NV-143;

- announcements of technological innovations by us or our competitors;
- new products introduced or announced by us or our competitors;
- changes in financial estimates by securities analysts;
- actual or anticipated variations in operating results;
- expiration or termination of licenses, research contracts or other collaboration agreements;
- conditions or trends in the regulatory climate and the biotechnology, pharmaceutical and genomics industries;
- changes in the market valuations of similar companies;
- the liquidity of any market for our securities; and
- additional sales by us or Novogen of shares of our common stock.

In addition, equity markets in general, and the market for biotechnology and life sciences companies in particular, have experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies traded in those markets. In addition, changes in economic conditions in the United States, Europe or globally, could impact upon our ability to grow profitably. Adverse economic changes are outside our control and may result in material adverse impacts on our business or our results of operations. These broad market and industry factors may materially affect the market price of our shares of common stock, regardless of our development and operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources.

Future sales of our common stock may depress our stock price and cause stockholders to experience dilution.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur.

We will have broad discretion over the use of the net proceeds to us from any exercise of outstanding warrants.

We will have broad discretion to use the net proceeds to us upon any exercise of outstanding warrants, and you will be relying on the judgment of our board of directors and management regarding the application of these proceeds. Although we expect to use a substantial portion of the net proceeds from any exercise of the warrants for general corporate purposes, including potential payments to Novogen under the terms of the license agreements, potential licensing of other cancer compounds developed by Novogen under the license option deed and potential expansion of the clinical trial program for phenoxodiol to include other forms of cancer, we have not allocated these net proceeds for specific purposes.

Risks Related to the Private Placement

If we fail to maintain registration of the common stock issued or issuable pursuant to the exercise of warrants we issued in connection with the securities subscription agreement we entered into with certain investors effective July 11, 2006, we may be obligated to pay the investors of those securities liquidated damages.

In the event that the registration statement that was declared effective on September 5, 2006 ceases to be effective or usable at any time while shares of common stock covered by it remain unsold or may only be sold subject to certain volume limitations, or investors are not permitted to utilize the prospectus in connection with the registration statement to resell shares of common stock covered by the registration statement, we will be obligated to pay investors who purchased shares of common stock in the private placement liquidated damages equal to 1% of the aggregate purchase price paid by each investor pursuant to the securities subscription agreement for any shares of common stock or shares of common stock issuable upon exercise of warrants then held by each investor per month (pro rated for any period less than a month) until the registration statement is effective or the investors are permitted to utilize the prospectus in connection with the registration statement to resell shares of common stock covered by the registration statement.

Liquidated damages paid to each investor in the private placement may not exceed more than 10% of the purchase price paid by such investor for shares of common stock or shares of common stock issuable upon exercise of warrants purchased under the securities subscription agreement. If we become obligated to pay liquidated damages, we would deplete our limited working capital and potentially need to raise additional funds. Additionally, the payment of liquated damages would negatively impact our ability to complete future PIPE's.

If we fail to maintain registration of the common stock issued or issuable pursuant to the exercise of warrants we issued in connection with the securities subscription agreement we entered into with certain investors effective August 1, 2007, we may be obligated to pay the investors of those securities liquidated damages.

In connection with the securities subscription agreement we entered into with certain accredited investors as of August 1, 2007, we entered into a registration rights agreement pursuant to which we are obligated to file a resale registration statement with the SEC by the fifth calendar day following the filing of the our Annual Report on Form 10-K for the fiscal year ended June 30, 2007, covering the shares of common stock issued in connection with the securities subscription agreement, in addition to the shares of common stock underlying the warrants issued in connection with the securities subscription agreement.

In the event that the registration statement is not filed by the required filing date or that the registration statement covering the registrable securities ceases to be effective or usable at any time while shares of common stock covered by it remain unsold or may only be sold subject to certain volume limitations, or investors are not permitted to utilize the prospectus in connection with the registration statement to resell shares of common stock covered by the registration statement, we will be obligated to pay investors who purchased shares of common stock in the private placement liquidated damages equal to 1% of the aggregate purchase price paid by each investor pursuant to the securities subscription agreement for any shares of common stock, shares of common stock issuable upon exercise of warrants or warrants then held by each investor per month (pro rated for any period less than a month) until the registration statement is effective or the investors are permitted to utilize the prospectus in connection with the registration statement to resell shares of common stock covered by the registration statement.

Liquidated damages paid to each investor in the private placement may not exceed more than 10% of the purchase price paid by such investor for shares of common stock purchased under the securities subscription agreement. If we become obligated to pay liquidated damages, we would deplete our limited working capital and potentially need to raise additional funds. Additionally, the payment of liquated damages would negatively impact our ability to complete future PIPE’s.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own or lease any property.

Item 3. Legal Proceedings

None.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Securities

The following tables set forth for the period indicated the high and low sale prices of our common stock and warrants as reported by the Nasdaq Global Market and for our common stock as reported by the Alternative Investment Market of the London Stock Exchange (AIM). The trading price for our shares of common stock on the AIM are quoted as sterling (£), the lawful currency of the United Kingdom. On January 17, 2006, we voluntarily cancelled the trading of our common stock on the AIM.

Common Stock

	Nasdaq Global Market		AIM Market	
Year Ended June 30, 2006	**High $**	**Low $**	**High £**	**Low £**
First Quarter	7.98	5.68	4.08	3.40
Second Quarter	8.25	5.53	4.28	3.25
Third Quarter	7.29	4.36	3.80	3.20
Fourth Quarter	6.02	2.51	N/A	N/A
Year Ended June 30, 2007				
First Quarter	3.75	2.58	N/A	N/A
Second Quarter	3.68	2.82	N/A	N/A
Third Quarter	4.90	3.08	N/A	N/A
Fourth Quarter	4.28	2.75	N/A	N/A

Warrants (with December 2006 expiry)

Year Ended June 30, 2006		
First Quarter	4.01	2.55
Second Quarter	3.25	0.68
Third Quarter	1.99	0.50
Fourth Quarter	0.74	0.20
Year Ended June 30, 2007		
First Quarter	0.30	0.02
Second Quarter	0.29	0.01
Third Quarter	N/A	N/A
Fourth Quarter	N/A	N/A

The following table sets forth, for the period indicated, the high, low, average and period-end noon buying rate for sterling, expressed in dollars per sterling in New York City as certified for customs purposes by the Federal Reserve Bank of New York.

Period Ended	High	Low	Average	Period-End
Year Ended June 30, 2006				
First Quarter	$1.8420	$1.7303	$1.7854	$1.7696
Second Quarter	$1.7855	$1.7138	$1.7486	$1.7188
Third Quarter	$1.7885	$1.7256	$1.7532	$1.7393
Fourth Quarter	$1.8911	$1.7389	$1.8286	$1.8491
Year Ended June 30, 2007				
First Quarter	N/A	N/A	N/A	N/A
Second Quarter	N/A	N/A	N/A	N/A
Third Quarter	N/A	N/A	N/A	N/A
Fourth Quarter	N/A	N/A	N/A	N/A

As of August 15, 2007, there were approximately 1,435 stockholders on record of our common stock.

Dividends

We have never declared or paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to fund the expansion and growth of our business. Payments of any future cash dividends will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our board of directors deem relevant.

Stock Repurchases

We have not repurchased any shares of common stock during the fourth quarter of the fiscal year ended June 30, 2007.

Equity Compensation

The following table sets forth, as of June 30, 2007 outstanding awards and shares remaining available for future issuance under our compensation plans under which equity securities are authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	Not Applicable	Not Applicable	Not Applicable
Equity compensation plans not approved by security holders	None	Not Applicable	Indeterminable
Total	None	Not Applicable	Indeterminable

Our Employee Share Option Plan (the “Plan”) provides our directors, employees, employees of our affiliates and certain of our contractors and consultants with the opportunity to participate in our ownership. To date, no options have been issued under the Plan. The Remuneration Committee, appointed by the Board of Directors, addresses participation, the number of options offered and any conditions of exercise. In making these determinations the Remuneration Committee will generally consider the participant’s position and record of service to us and our affiliates and potential contribution to the growth of us and our affiliates. Any other matters tending to indicate the participant’s merit may also be considered. Options will be exercisable between two years and five years after grant, unless otherwise determined by the Remuneration Committee. Options granted will be exercisable at a price determined by the Remuneration Committee at the time of issue (and will be subject to adjustment in accordance with the terms of the plan). Other key terms of the Plan include:

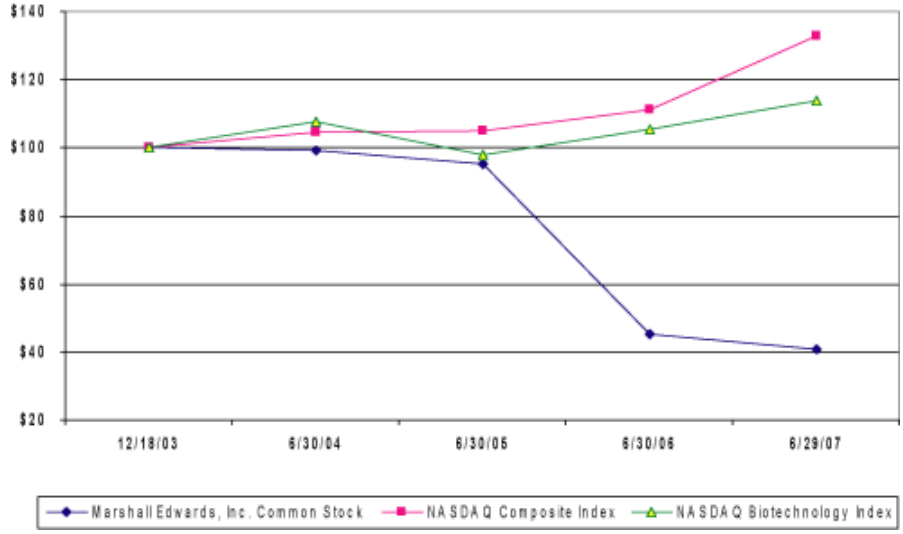
- Options will lapse if the participants cease to be engaged by us or our affiliates. The committee will have the discretion to waive this provision.
- The terms of the Plan also provide for adjustments to the rights of an option holder as a result of a reorganisation of our capital or other corporate event. The holder of an option is not permitted to participate in any distribution by us or in any rights or other entitlements issued by us to stockholders in respect of our shares unless the options are exercised prior to the relevant record; and
- All options vest on the occurrence of certain events such as a change of control, as defined in the Plan.

The Plan also contains standard provisions dealing with matters such as administration of the Plan, amendment of the Plan and termination or suspension of the Plan.

Stock Performance Graph

The graph set forth below compares the change in our cumulative total stockholder return on our common stock between December 18, 2003 (the date our common stock commenced public trading) and June 29, 2007 with the cumulative total return of the NASDAQ Composite Index and the NASDAQ Biotechnology Index during the same period. This graph assumes the investment of $100 on December 18, 2003 in our common stock and each of the comparison groups and assumes reinvestment of dividends, if any. We have not paid any dividends on our common stock, and no dividends are included in the report of our performance.

Stock Performance Comparison



	12/18/03	6/30/04	6/30/05	6/30/06	6/29/07
Marshall Edwards, Inc. Common Stock	$100.00	$ 99.07	$ 95.07	$ 45.20	$ 40.93
NASDAQ Composite Index	$100.00	$104.68	$105.15	$111.04	$133.08
NASDAQ Biotechnology Index	$100.00	$107.78	$ 98.00	$105.44	$113.93

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8. “Financial Statements” included elsewhere in this Annual Report on Form 10-K.

Statement of Operations	Years Ended June 30, 2007	2006	2005	2004	2003
			(in thousands, except per share data)		
Revenues:					
Interest and other income	$ 645	$ 446	$ 308	$ 193	$ 145
Total revenues	645	446	308	193	145
Loss from operations	(13,819)	(7,385)	(6,421)	(8,538)	(3,033)
Income tax expense	(1)	(1)	—	—	—
Net loss arising during development stage	$ (13,820)	$ (7,386)	$ (6,421)	$ (8,538)	$ (3,033)
Net loss per common share:					
Basic and diluted	$ (0.22)	$ (0.13)	$ (0.11)	$ (0.16)	$ (0.06)
Weighted average common shares outstanding	63,196,465	56,938,000	56,938,000	54,954,578	52,023,247

Balance Sheet Data	2007	2006	As of June 30, 2005	2004	2003
			(in thousands)		
Cash and cash equivalents	$16,158	$10,054	$ 9,238	$24,819	$7,244
Total assets	$16,290	$10,395	$19,364	$24,849	$7,286
Total stockholders’ equity	$13,777	$ 9,135	$16,521	$22,942	$5,933

Item 7. Management’s Discussion and Analysis of Financial Condition and results of Operations.

The following discussion and analysis should be read in conjunction with “Item 8. Financial Statements and Supplementary Data” included below. Operating results are not necessarily indicative of results that may occur in future periods. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in the forward-looking statements as a result of many factors including, but not limited to, those set forth under “Cautionary Statement About Forward-Looking Statements” and “Risk Factors” in Item 1A. included above in this Annual Report on Form 10-K. All forward-looking statements included in this document are based on the information available to us on the date of this document and we assume no obligation to update any forward-looking statements contained in this Annual Report on Form 10-K.

Overview

Our main focus since commencing operations is to undertake human clinical testing of phenoxodiol. Operations have now expanded to include the recently licenced drug candidates NV-196 and NV-143. During fiscal year 2007, we commenced the OVATURE Phase III clinical trial for phenoxodiol and continued to recruit patients into the existing clinical trial programs. We have reached agreement under the Special Protocol Assessment (SPA) process with the United States Food and Drug Administration (FDA) on the design our OVATURE pivotal study protocol for phenoxodiol. The trial, is designed to test the ability of phenoxodiol to restore sensitivity of late-stage ovarian cancers to carboplatin, a standard form of therapy for ovarian therapy.

As at the date of the report Novogen owns approximately 71.9% of the outstanding shares of our common stock.

We do not employ any staff directly but obtain services from Novogen under a services agreement. We have incurred losses since inception and expect to incur operating losses and generate negative cash flows from operations for the foreseeable future as we expand research and development activities and move our drug candidates into later stages of development and incur expenses for the OVATURE trial. As of June 30, 2007, we had accumulated losses of $39,321,000.

We have 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 our drug candidates and costs incurred under the licence agreements, the services agreement and the manufacturing licence and supply agreements with Novogen and its subsidiaries, including the costs of the clinical trial drug supplies as well as costs associated with phenoxodiol production scale-up activities and drug supply from third party contractors . Ongoing operations through the conduct of the clinical trial program will continue to consume cash resources without generating revenues.

We believe that the proceeds of the private placement closed in August 2007 provide us with sufficient cash resources to fund our planned operations over the next twelve months which include the OVATURE trial, the planned preclinical development of NV-196 and NV-143 and the planned human Phase I clinical program for NV-196.

We will however need additional funds in order complete the OVATURE trial and to further the clinical development program for NV-196 and NV-143 beyond the current objectives.

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

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 June 30, 2007 amount to $15,941,000.

Research and development costs include clinical trial expenses, and are expensed as they are incurred. These costs are expected to increase in the future as the phenoxodiol clinical program progresses and as we expand our research and development to incorporate NV-196 and NV-143. The phenoxodiol Phase III OVATURE 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.

We expect 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 number of treatment cycles patients complete while they are enrolled in the trials;
- the indication being studied; and
- the efficacy and safety profile of the product.

Our strategy also includes the option of entering into collaborative arrangements with third parties to participate in the development and commercialization of our drug candidates. In the event third parties have control over the clinical development process, the completion dates would largely be under the control of that third party.

As a result of these uncertainties, we are unable to determine the duration of or completion costs for research and development projects or when and to what extent we will receive cash inflows from the commercialization and sale of the drug candidates.

We intend to continue the clinical development of phenoxodiol as well as NV-196 and NV-143, which were recently licenced from Novogen. We will also continue to assess the opportunity to licence other cancer drugs developed by Novogen as the opportunities arise.

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 $2,255,000 have been included in the financial statements for the year ended June 30, 2007, of which $548,000 has been accrued at June 30, 2007. These estimates are based on the number of patients in each trial and the drug administration 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, drug administration 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.

Manufacturing Scale-up Expenses

Estimates have been used in determining the expense liability under certain manufacturing scale-up and drug supply 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.

Drug supply/manufacturing scale-up expenses of $1,860,000 have been included in the financial statements for the year ended June 30, 2007, of which $339,000 has been accrued at June 30, 2007. These estimates are based on the milestones completed for each of the service contracts.

Results of Operations

Summary of Revenue and Expenses

The following table provides a summary of revenues and expenses to supplement the more detailed discussions below:

Revenues	Years Ended June 30, 2007	2006	2005
		(in thousands)	
Interest and other income	$645	$446	$308
Total revenues	645	446	308

Research and development expenses	Years Ended June 30, 2007	2006	2005
		(in thousands)	
Clinical trial study costs	$(2,255)	$ (840)	$(1,156)
Drug/manufacturing scale-up costs	(1,860)	(1,856)	(612)
Research and development service charge	(1,145)	(588)	(385)
Other	(501)	(143)	(126)
Total Research and Development Costs	(5,761)	(3,427)	(2,279)

License Fees	Years Ended June 30, 2007	2006	2005
		(in thousands)	
License Fees	(5,000)	(3,000)	(3,000)

Selling, general and administrative expenses	Years Ended June 30, 2007	2006	2005
		(in thousands)	
Legal and professional fees	$ (488)	$ (394)	$ (371)
Administrative service charge	(818)	(707)	(688)
Share based payment	(1,642)	—	—
Other	(755)	(303)	(391)
Total operating expenses	(3,703)	(1,404)	(1,450)

Year Ended June 30, 2007 Compared to the Year Ended June 30, 2006

We recorded a consolidated loss of $13,820,000 and $7,386,000 for the years ended June 30, 2007 and 2006, respectively.

Revenues: We received interest on cash assets and cash equivalents of $645,000 for the year ended June 30, 2007 versus $446,000 for the year ended June 30, 2006. This increase was due to higher cash balances combined with an increase in interest rates.

Research and Development: Research and development expenses increased $2,334,000 to $5,761,000 for the year ended June 30, 2007 compared to $3,427,000 for the year ended June 30, 2006. This increase was primarily due to increased clinical trial costs incurred associated with OVATURE and the additional costs incurred under the services agreement reflecting the increased time spent by Novogen research staff on the development of phenoxodiol, NV-196 and NV-143.

Licence Fees: Milestone licence fees of $5,000,000 were expensed for the year ended June 30, 2007 compared to $3,000,000 for the year ended June 30, 2006. The $5,000,000 expensed in the year ended June 30, 2007 represents the second lump sum licence fee due under the terms of the licence agreement. This second lump sum licence fee was due on the later of November 1, 2003 or such later date when the cumulative total of all funds received from debt or equity issuances and revenues received from commercialization (income other than sales) and sales of phenoxodiol products exceeds $50,000,000. Following the private placement or PIPE capital raising closed on July 11, 2006, the funds received from equity issuances exceeded $50,000,000 which triggered this licence fee payment. The $3,000,000 expensed in the year ended June 30, 2006 represents 50 percent ($2,000,000) of the December 31, 2005 annual milestone licence fee of $4,000,000 (the other 50 percent was incurred and accrued in the year ended June 30, 2005) and $1,000,000 that was payable on execution of the new licence agreement with Novogen in relation to the drug candidates NV-196 and NV-143 licenced in May 2006.

Selling, General and Administrative: Selling, general and administrative expenses increased by $2,299,000 to $3,703,000 for the year ended June 30, 2007 compared to $1,404,000 for the year ended June 30, 2006. The increase was due primarily to the cost of the share-based payment of the SEDA commitment fee paid to Cornell Capital Partners, LP (“Cornell”) in the form of shares and warrants which were valued at $1,642,000 and general corporate expenses including an increase in legal compliance costs, travel and service fees paid to Novogen reflecting an increase in corporate and accounting services and insurance.

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 our wholly owned subsidiary 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 our financial position. At June 30, 2007, we had not established a foreign currency hedging program. Net foreign exchange losses during the twelve months ended June 30, 2007 were $98,000 compared with net exchange losses of $2,000 during the twelve months ended June 30, 2006.

Year Ended June 30, 2006 Compared to the Year Ended June 30, 2005

We recorded a consolidated loss of $7,386,000 and $6,421,000 for the years ended June 30, 2006 and 2005, respectively.

Revenues: We received interest on cash assets and cash equivalents of $446,000 for the year ended June 30, 2006 versus $308,000 for the year ended June 30, 2005. This increase was due to an increase in interest rates combined with us investing some of our cash in short term investment deposits in the first half of the year which yield a greater rate of return than cash accounts.

Research and Development: Research and development expenses increased $1,148,000 to $3,427,000 for the year ended June 30, 2006 compared to $2,279,000 for the year ended June 30, 2005. This 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 documentation together with the additional costs incurred under the services agreement reflecting the increase time spent by Novogen research staff on the development of phenoxodiol. These increases were partially offset by a reduction in the clinical trial study costs incurred as a number of studies are nearing completion. Clinical trial drug costs have also reduced as many patients have now completed the treatment cycles. We expect research and development clinical trial costs to increase significantly in the future due to the planned Phase III OVATURE study.

Licence Fees: Milestone licence fees of $3,000,000 were expensed for both the years ended June 30, 2006 and June 30, 2005. The $3,000,000 expensed in the year ended June 30, 2006 represents 50 percent ($2,000,000) of the December 31, 2005 annual milestone licence fee of $4,000,000 (the other 50 percent was incurred and accrued in the year ended June 30, 2005) and $1,000,000 that was payable on execution of the new licence agreement with Novogen in relation to the drug candidates NV-196 and NV-143 licenced in May 2006. The $3,000,000 milestone licence fees expensed in the year ended June 30, 2005 represents 50 percent ($2,000,000) of the December 31, 2005 annual milestone licence fee of $4,000,000 plus 50 percent ($1,000,000) of the December 31, 2004 annual milestone licence fee of $2,000,000.

Selling, General and Administrative: Selling, general and administrative expenses decreased by $46,000 to $1,404,000 for the year ended June 30, 2006 compared to $1,450,000 for the year ended June 30, 2005. The decrease was due primarily to a reduction in foreign exchange losses and legal fees which were partially offset by an increase in travel costs. Foreign exchange gains/(losses) are included in selling, general and administrative expenses which occur when revaluing cash denominated in foreign currencies and upon consolidation of our wholly owned subsidiary MEPL. MEPL uses US 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 our financial position. At June 30, 2006, we had not established a foreign currency hedging program. Net foreign exchange losses during the twelve months ended June 30, 2006 were $2,000 compared with net exchange losses of $24,000 during the twelve months ended June 30, 2005.

Liquidity and Capital Resources

At June 30, 2007, we had cash resources of $16,158,000 compared to $10,054,000 at June 30, 2006. The increase was due to the capital raising in July 2006, as described below, which was partially offset by the payment of the $5,000,000 second lump sum licence fee and expenditures in the clinical trial program and other corporate expenses incurred during the year. Funds are invested in short term money accounts, pending use.

On July 11, 2006, the we entered into a securities subscription agreement with certain accredited investors providing for the placement of 6,329,311 shares of our common stock and warrants exercisable for 2,215,258 shares of our common stock at a purchase price of $2.90 per unit. Each unit consisted of one share of common stock and 0.35 of a warrant to purchase one share of common stock. The warrants have an exercise price of $4.35 per share, subject to certain adjustments. The exercise price and number of shares issuable upon exercise of such warrants are subject to adjustment in the event of stock dividends, stock splits and other similar events. The warrants may be exercised no less than six months from the closing date and will expire four years from the date of issuance, or July 11, 2010. We closed the private placement on July 11, 2006. In connection with the private placement or PIPE, we received proceeds of $16.8 million net of $1.5 million commissions and other costs.

On July 11, 2006, we entered into the SEDA with Cornell. Under the SEDA, we may issue and sell to Cornell shares of our common stock for a total purchase price of up to $15 million, once a resale registration statement is in effect. Commencing as of the effective date of the registration statement and continuing for up to 24 months thereafter, we have sole discretion whether and when to sell shares of our common stock to Cornell. Cornell will be irrevocably bound to purchase shares of common stock from us after we send a notice that we intend to sell shares of our common stock to Cornell. Each advance under the SEDA is limited to a maximum of $1.5 million.

On August 1, 2007, we entered into a securities subscription agreement with certain accredited investors providing for the placement of 5,464,001 shares of our common stock at a purchase price of $3.00 per share. The investors in the transaction also received a warrant to purchase an additional 4 shares of common stock for every block of 10 shares of common stock purchased. All of the warrants have an exercise price of $3.60 per share. The warrants may be exercised beginning February 6, 2008 and will expire five years from the date of issuance, or August 6, 2012. We also issued 62,091 warrants to Blue Trading, LLC, which acted as the placement agent in the private placement, as part of the placement fee. The warrants issued to Blue Trading, LLC have an exercise price of $3.00 per share and each warrant is convertible for 4 shares of common stock. These warrants may be exercised immediately and will expire five years from the date of issuance, on August 6, 2012. We closed the private placement on August 6, 2007 and we received gross proceeds of $16.4 million.

We have entered into a registration rights agreement with the investors party to the securities subscription agreement, and Blue Trading, LLC, and have agreed to file a registration statement with the SEC for the common stock and the common stock issuable upon exercise of the warrants sold pursuant to the securities subscription agreement for resale thereunder.

In addition, we have terminated the SEDA with Cornell.

Source and Uses of Cash

Cash Used in Operating Activities

Cash used in operating activities for the year ended June 30, 2007 was $10,786,000 compared to $9,089,000 for the same period in 2006. The increase in cash outflow of $1,697,000 for the year ended June 30, 2007 was due primarily to the second lump sum licence fee paid to Novogen of $5,000,000 during the period compared to $4,000,000 paid in the corresponding period. Additional cash outflow was also incurred in connection with the increased costs associated with the Phase III OVATURE trial and the scale-up costs of phenoxodiol.

Cash Requirements

We are currently conducting the OVATURE Phase III clinical study to support marketing approval of phenoxodiol for ovarian cancer and the clinical and pre clinical development of NV-196 and NV-143.

Ongoing operations through the conduct of the clinical trial program will continue to consume cash resources without generating revenues.

We believe that the proceeds of the private placement closed in August 2007 provide us with sufficient cash resources to fund our planned operations over the next twelve months which include the OVATURE trial, the planned preclinical development of NV-196 and NV-143 and the planned human Phase I clinical program for NV-196.

We will however need additional funds in order complete the OVATURE trial and to further the clinical development program for NV-196 and NV-143 beyond the current objectives.

Licence Agreement for Phenoxodiol

In September 2003, we entered into a licence agreement pursuant to which Novogen's subsidiary, Novogen Research Pty Limited, granted to MEPL a worldwide non-transferable licence under its patents and patent applications and in its know-how to conduct clinical trials and commercialize and distribute phenoxodiol products. The licence 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 licence 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 licence fee payment due under the terms of the licence agreement. Also, MEPL paid $2,000,000 to Novogen in January 2005 and $4,000,000 in January 2006 which were the annual milestone licence fee payments due under the licence agreement. We paid a second lump sum licence fee of $5,000,000 to Novogen in July 2006 following the raising of funds in a private placement or PIPE closed on July 11, 2006. This licence fee was due on the later of 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. Following the private placement or PIPE closed on July 11, 2006, the funds received from equity issuances exceeded $50,000,000 which triggered this licence fee payment. Future amounts payable to Novogen under terms of the licence agreement are as follows:

1. Until the expiration of the exclusivity period of the licence, MEPL must pay Novogen 2.5% of all net sales and 25% of commercialization income. After the exclusivity period of the licence, 1.5% of net sales must be paid to Novogen. The preconditions to such payments have not yet occurred.

The "Exclusivity Period" ends on the later of:

(a) the date of expiration or lapsing of the last patent right in the patents and patent applications set out in the licence agreement with Novogen; or

(b) the date of expiration or lapsing of the last licenced patent right which MEPL would, but for the licence granted in the licence agreement, infringe in any country in the geographical territory covered by the licence agreement by doing in that country any of the things set out in the licence agreement.

2. In addition to the amounts above, beginning in 2006, an $8 million annual milestone licence fee is payable under the amended terms of the licence agreement for each calendar year ending December 31 during the exclusivity period of the licence. The December 31, 2006 licence fee has been deferred under the licence amendment deed which is discussed below.

Licence Amendment Deed for Phenoxodiol

In June 2006, we entered into an amendment deed to the licence agreement for phenoxodiol. Pursuant to the original term of the licence agreement for phenoxodiol we were required to pay an $8,000,000 licence milestone fee to Novogen Research Pty Limited in December 2006. The amendment deed extends the date that the $8,000,000 licence milestone fee is payable until the earliest receipt by MEPL of the first:

(i) approval by the FDA of an NDA for phenoxodiol;

(ii) approval or authorization of any kind to market phenoxodiol in the United States; or

(iii) approval or authorization of any kind by a government agency in any other country to market phenoxodiol.

Upon receipt of any of the above (the "Approval Date"), we must pay to Novogen, $8,000,000, together with interest on that amount from (and including) December 31, 2006, calculated at the bank bill rate. This milestone licence fee replaces the $8,000,000 December 31, 2006 milestone fee.

Further Amended and Restated License Agreement

Following agreement in March 2007, MEPL and Novogen Research Pty Limited entered into another amendment deed to the licence agreement for phenoxodiol for the purpose of further amending and restating the license agreement (the "Further Amended and Restated License Amendment").

The combined result of the Licence Amendment Deed for phenoxodiol and the Further Amended and Restated License Agreement will be that upon the Approval Date, MEPL will be required to pay Novogen Research $8,000,000, together with interest on such amount from (and including) December 31, 2006 to (but excluding) the Approval Date. Thereafter, MEPL will be required to make license milestone fee payments of $8,000,000 to Novogen Research Pty Limited on December 31 of the year of the Approval Date and on December 31 of each year thereafter during the exclusivity period under the License Agreement.

No licence fees have been accrued at June 30, 2007.

Licence Agreement NV-196 and NV-143

In May 2006, we entered into a second licence agreement with Novogen for two oncology compounds, NV-196 and NV-143. NV-196 is being developed initially in oral form for pancreatic and bile duct cancer and is currently in Phase I human testing. NV-143 is targeted for the treatment of melanoma, also in oral dose form, and is in the pre-clinical testing stage. The licence agreement is an agreement under which Novogen's subsidiary, Novogen Research Pty Limited, grants to MEPL a worldwide non-transferable licence under its patents and patent applications and in its know-how to conduct clinical trials and commercialize and distribute NV-196 and NV-143 products. The licence agreement covers uses of NV-196 and NV-143 in the field of prevention, treatment or cure of cancer in humans delivered in all forms except topical applications. The licence 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 $1,000,000 to Novogen in May 2006 which was the first lump sum licence fee payment due under the terms of the licence agreement. We are required to make payments under the terms of this second licence agreement with Novogen as follows:

1. A lump sum licence fee of $1,000,000 is payable to Novogen on the commencement date of the licence in consideration of the licence granted. This initial lump sum licence fee was paid to Novogen in May 2006.

2. MEPL must pay to Novogen the following milestone licence fees upon the occurrence of the corresponding milestone as set forth below:

a) the first licenced product containing NV-196 to reach a milestone as set forth below; and

b) the first licenced product containing NV-143 to reach a milestone as set forth below.

The milestone licence fees are:

i) $1,000,000 on the date an IND for the licenced product goes into effect or the equivalent approval of a government agency is obtained in another country. If this event does not occur before March 31, 2008, then this amount will be due on this date;

ii) $2,000,000 on the date of enrollment of the first clinical trial subject in a Phase II clinical trial of the licenced product. If this event does not occur before June 30, 2009, then this amount will be due on this date;

iii) $3,000,000 on the date of enrollment of the first clinical trial subject in a Phase III clinical trial of the licenced product. If this event does not occur before December 31, 2011 then this amount will be due on this date; and

iv) $8,000,000 on the date of first receipt of a NDA for the licenced product from the FDA or equivalent approval from a government agency in another country. If this event does not occur before December 31, 2013, then this amount will be due on this date.

3. MEPL must pay Novogen royalties of 5.0% of all net sales and 25% of commercialization income for the term of the licence. The royalty rate is reduced by 50% if the licenced patent rights in any country or territory expire, lapse, are revoked, does not exist or is assigned to MEPL and the product is entirely manufactured and supplied in such country.

4. Minimum royalties of $3,000,000 per year are payable following the date of first receipt of an NDA for a licenced product from the FDA (or equivalent approval from a government agency in any other country) until the expiration of the term.

The licence agreement is able to be cancelled without penalty by MEPL by giving three months notice. Therefore licence fees due under the licence agreement are recognised as an expense when the milestone event occurs.

We will also be required to make payments to Novogen under the services agreement and manufacturing licence and supply agreement.

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

We are currently assessing the future cash requirements needed to fund new clinical trial initiatives and licensing options available under the license option deed.

Contractual Obligations

At June 30, 2007, we had contractual obligations for the conduct of clinical trials, pre-clinical research and development and manufacturing process development of approximately $10,318,000. Of all 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 following table summarizes our future payment obligations and commitments as of June 30, 2007 assuming all treatment cycles are completed:

(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	$10,318	$6,446	$3,652	$220	$—
Total	$10,318	$6,446	$3,652	$220	$—

No amounts have been included in the above table for future payments to Novogen which may arise in connection with the licence agreements, the services agreement or the manufacturing 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 above and in Note 6 “Related Party Transactions” to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We place cash in “on call” and “short-term” deposit accounts with high quality financial institutions.

We do not consider the effects of interest rate movements to be a material risk to our financial condition. We do not use derivative financial instruments to hedge risks associated with the fluctuations of interest rates.

Foreign Currency Risk

We conduct a portion of our business in various currencies, primarily in U.S. and Australian dollars. At June 30, 2007, we had not established a foreign currency hedging program. Net foreign exchange losses during the twelve months ended June 30, 2007 were $98,000 compared with net exchange losses of $2,000 during the twelve months ended June 30, 2006. 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 our financial position.

We do not consider the effects of foreign currency movements to be a material risk to our financial condition.

Item 8. Financial Statements and Supplementary Data

Marshall Edwards, Inc
Index to Financial Statements

BDO Kendalls

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Report of Independent Registered Public Accounting Firm

Board of Directors
Marshall Edwards, Inc.

We have audited the accompanying consolidated balance sheet of Marshall Edwards, Inc. (a development stage company) as of June 30, 2007 and 2006, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three year period ended June 30, 2007, and for the period from December 1, 2000 (inception) through June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marshall Edwards, Inc. at June 30, 2007 and 2006, and the consolidated results of its operations and its cash flows each of the years in the three year period ended June 30, 2007 and the period from December 1, 2000 (inception) through June 30, 2007**,** in conformity with accounting principles generally accepted in the United States of America.

BDO Kendalls (NSW)
Sydney, NSW, Australia

September 27, 2007

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

	June 30, 2007	June 30, 2006
ASSETS		
Current assets		
Cash and cash equivalents	**$ 16,158**	$ 10,054
Deferred Offering Costs	**25**	95
Prepaid expenses and other current assets	**107**	246
Total current assets	**16,290**	10,395
Total assets	**$ 16,290**	$ 10,395
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 1,197**	$ 420
Accrued expenses	**984**	638
Amount due to related company	**332**	202
Total current liabilities	**2,513**	1,260
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 100,000 shares, none outstanding	**—**	—
Common stock, $0.00000002 par value, 113,000,000 authorized shares; shares issued and outstanding: 63,390,937 at June 30, 2007 and 56,938,000 at June 30, 2006	**—**	—
Additional paid-in capital	**53,098**	34,636
Deficit accumulated during development stage	**(39,321)**	(25,501)
Total stockholders' equity	**13,777**	9,135
Total liabilities and stockholders' equity	**$ 16,290**	$ 10,395

See accompanying notes.

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

	Years Ended June 30,			Period from December 1, 2000 (Inception) through June 30,
	2007	**2006**	**2005**	**2007**
Revenues:				
Interest and other income	**$ 645**	$ 446	$ 308	$ 1,744
Total revenues	**645**	446	308	1,744
Operating expenses:				
Research and development	**(5,761)**	(3,427)	(2,279)	(15,941)
License fees	**(5,000)**	(3,000)	(3,000)	(17,000)
Selling, general and administrative	**(3,703)**	(1,404)	(1,450)	(8,121)
Total operating expenses	**(14,464)**	(7,831)	(6,729)	(41,062)
Loss from operations	**(13,819)**	(7,385)	(6,421)	(39,318)
Income tax expense	**(1)**	(1)	—	(3)
Net loss arising during development stage	**$ (13,820)**	$ (7,386)	$ (6,421)	$(39,321)
Net loss per common share:				
Basic and diluted	$ (0.22)	$ (0.13)	$ (0.11)	
Weighted average common shares outstanding	63,196,465	56,938,000	56,938,000	

See accompanying notes.

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

	Years Ended June 30,			Period from December 1, 2000 (Inception) through June 30,
	2007	**2006**	**2005**	**2007**
Operating activities				
Net loss arising during development stage	**(13,820)**	(7,386)	(6,421)	(39,321)
Adjustments to reconcile net loss to net cash used in operating activities:				
Share based payments	**1,642**	—	—	1,642
Changes in operating assets and liabilities:				
Prepaid expenses and other current assets	**139**	(120)	(96)	(107)
Accounts payable	**777**	166	62	1,197
Accrued expenses	**346**	235	(34)	984
Amounts due to related company	**130**	(1,984)	908	332
Net cash used in operating activities	**(10,786)**	(9,089)	(5,581)	(35,273)
Financing activities				
Net proceeds from issuance of Common Stock	**16,915**	—	—	51,551
Deferred Offering Costs	**(25)**	(95)	—	(120)
Withdrawal from/(investment in) short-term deposits	**—**	10,000	(10,000)	—
Net cash provided by/(used in) financing activities	**16,890**	9,905	(10,000)	51,431
Net increase/(decrease) in cash and cash equivalents	**6,104**	816	(15,581)	16,158
Cash and cash equivalents at beginning of period	**10,054**	9,238	24,819	—
Cash and cash equivalents at end of period	**16,158**	10,054	9,238	16,158
Income taxes paid	**(1)**	**(1)**	**—**	(3)

See accompanying notes.

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

	Common Stock	Additional paid in capital	Deficit accumulated during development stage	Accumulated other comprehensive income/(loss)	Total
	(shares)				
Balance June 30, 2001	49,500,000	$ —	$ —	$ —	$ —
Net loss arising during development stage			(123)		(123)
Common Stock issued May 22, 2002 (including 2,523,000 warrants)	2,523,000	9,022			9,022
Balance at June 30, 2002	52,023,000	9,022	(123)	—	8,899
Net loss arising during development stage			(3,033)		(3,033)
Foreign currency translation adjustments				31	31
Comprehensive Loss					(3,002)
Common Stock issued June 26, 2003	9,000	36			36
Balance at June 30, 2003	52,032,000	9,058	(3,156)	31	5,933
Net loss arising during development stage			(8,538)		(8,538)
Foreign currency translation adjustments				(31)	(31)
Comprehensive Loss					(8,569)
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 June 30, 2004	56,938,000	$34,636	$(11,694)	$ —	$ 22,942
Net loss arising during development stage			(6,421)		(6,421)
Comprehensive Loss					(6,421)
Balance at June 30, 2005	56,938,000	$34,636	$(18,115)	$ —	$ 16,521
Net loss arising during development stage			(7,386)		(7,386)
Comprehensive Loss					(7,386)
Balance at June 30, 2006	56,938,000	34,636	(25,501)	—	$ 9,135
Net loss arising during development stage			**(13,820)**		**(13,820)**
Comprehensive Loss					**(13,820)**
Common Stock issued July 11, 2006	**6,329,311**	**16,820**			**16,820**
Shares issued as share-based payment (refer Note 7)	**123,626**	**443**			**443**
Warrants issued as share-based payment (refer Note 7)		**1,199**			**1,199**
Balance at June 30, 2007	**63,390,937**	**53,098**	**(39,321)**	**—**	**$ 13,777**

See accompanying notes.

MARSHALL EDWARDS, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

1. The Company and Summary of Significant Accounting Policies

Marshall Edwards, Inc. ("MEI" or the "Company") is a development stage company incorporated in December 2000 as a wholly-owned subsidiary of Novogen Limited ("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, Marshall Edwards Pty Ltd (MEPL), a worldwide non-transferable licence 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. As at the date of this report Novogen owns approximately 71.9% of the outstanding shares of the Company's common stock.

The Company's main focus since commencing operations is to undertake human clinical testing of phenoxodiol. Operations have now expanded to include the recently licenced drug candidates NV-196 and NV-143. During fiscal year 2007, we commenced the OVATURE Phase III clinical trial for phenoxodiol (known as "OVATURE") and continued to recruit patients into the existing clinical trial programs. We have reached agreement under the Special Protocol Assessment (SPA) process with the United States Food and Drug Administration (FDA) on the design our OVATURE pivotal study protocol for phenoxodiol. The trial is designed to test the ability of phenoxodiol to restore sensitivity of late-stage ovarian cancers to carboplatin, a standard form of therapy for ovarian therapy.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MEPL. 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 by the Company to date is interest on cash balances, which is recognised on an accruals basis.

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 United States, 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, short-term investments 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 and has recently been expanded to include NV-196 and NV-143. Research and development costs are charged to expense as incurred.

Licence 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.

Other stock-based payments have been accounted for in accordance with SFAS No. 123R “Share-Based Payments”. The Company therefore recognizes the cost of goods acquired or the expense for services received in a share-based payment transaction when it obtains the goods or as services are received. The Company recognizes a corresponding increase in equity or a liability depending on the classification of the share-based instrument granted.

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 is excluded, whereas for diluted earnings per share it is included unless the effect is anti-dilutive. Since the Company has a loss for all periods presented, there is no dilutive effect of stock options.

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.

Stockholders’ Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of shares are recognized directly in equity as a reduction in the share proceeds received.

Deferred Offering Costs

Where costs associated with a capital raising have been incurred at balance date and it is probable that the capital raising will be successfully completed after balance date, such costs are deferred and offset against the proceeds subsequently received from the capital raising.

Recent Accounting Standards

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No.159 (SFAS 159), “The Fair Value Option for Financial Assets and Financial Liabilities” which permits an entity to measure certain financial assets and financial liabilities at fair value. The purpose of SFAS 159 is to improve financial reporting by allowing entities to mitigate volatility in reported earnings caused by the measurement of related assets and liabilities using different attributes, without having to apply complex hedge accounting provisions. Under SFAS 159, entities that elect the fair value option by instrument will report unrealised gains and losses in earnings at each subsequent reporting date. The fair value option is irrevocable, unless a new election date occurs. SFAS 159 established presentation and disclosure requirements to help financial statement users to understand the effect of the entity’s election on its earnings, but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. This statement is effective as of the beginning of fiscal year 2009. The Company is currently evaluating the impact of adopting SFAS 159 and does not anticipate a material effect.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108), “Considering the effects of Prior Year Misstatements when Quantifying the Misstatements in Current Year Financial Statements”. This bulletin discusses the utilization of quantifying the effects of financial statement misstatements by using a “dual approach” to assess these effects, which includes both a focus on the balance sheet and income statement. SAB 108 was effective for fiscal 2007 and did not have any effect on the Company’s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157). “Fair Value Measurements”. This pronouncement defines fair value, established a framework for measuring fair value and expands disclosures about fair value measurements. This statement is effective as of the beginning of fiscal year 2009. The Company is currently evaluating the impact of adopting SFAS 157 and does not anticipate a material effect.

In June 2006, the FASB issued FASB Interpretation No.48 (FIN 48), “Accounting for Uncertainty in Income taxes – an interpretation of FASB Statement No. 109”, which clarifies the accounting for uncertainty in tax positions. This interpretation requires the Company to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of fiscal year 2008, with the cumulative effect of the change in accounting principle being recorded as an adjustment to opening retained earnings. The Company has adopted FIN 48 as of July 1, 2007, however the Company does not anticipate a material effect.

2. Income Taxes

Loss from operations consists of the following jurisdictions:

	Year ended June 30,		
	2007	2006	2005
	(in thousands $)		
Domestic	**(1,928)**	**(196)**	(326)
Foreign	**(11,891)**	**(7,189)**	(6,095)
	(13,819)	**(7,385)**	(6,421)

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

	Year ended June 30,					
	2007		2006		2005	
	(in thousands $)	%	*(in thousands $)*	%	*(in thousands $)*	%
Tax at US statutory rates	**4,837**	**35**	**2,585**	**35**	**2,247**	**35**
Australian tax	**(595)**	**(5)**	**(359)**	**(5)**	**(305)**	**(5)**
R&D Tax concession	**121**	**1**	**91**	**1**	**43**	**1**
Over/(Under) Provision	**18**	**1**	**140**	**2**	**(128)**	**(2)**
Exchange rate difference on opening tax losses	**1,657**	**12**	**(301)**	**(4)**	**284**	**4**
Change in valuation allowance	**(6,038)**	**(44)**	**(2,156)**	**(29)**	**(2,141)**	**(33)**
	—	**—**	**—**	**—**	**—**	**—**

Deferred tax liabilities and assets are comprised of the following:

	Year ended June 30,	
	2007	2006
	(in thousands $)	
Deferred tax liabilities		
Unrealised Foreign Exchange Gain	**(13)**	**(2)**
Total deferred tax liabilities	**(13)**	**(2)**
Deferred tax assets		
Tax carried forward losses	**12,993**	**7,686**
Share based payments	**574**	**—**
Unrealised Foreign Exchange Loss	**39**	**2**
Consultant and other accruals	**277**	**146**
Total deferred tax assets	**13,883**	**7,834**
Valuation allowance for deferred tax assets	**(13,870)**	**(7,832)**
Net deferred tax assets and liabilities	**—**	**—**

Management evaluates the recoverability of the deferred tax asset and the amount of the required valuation allowance. Due to the uncertainty surrounding the realization of the tax deductions in future tax returns, the Company has recorded a valuation allowance against its net deferred tax asset at June 30, 2007 and 2006. At such time as it is determined that it is more likely than not that the deferred tax assets will be realized, the valuation allowance will be reduced.

There was no benefit from income taxes recorded for the period from December 1, 2000 (inception) to June 30, 2007 due to the Company's inability to recognize the benefit of net operating losses. The Company had federal net operating loss carry forwards of approximately $1,364,000 at June 30, 2007. The federal net operating losses will begin to expire in 2022.

Foreign tax losses of approximately $41,717,000 at June 30, 2007, may be carried forward indefinitely.

3. Loss Per Share

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

	Years ended June 30,		
	2007	**2006**	**2005**
	(In Thousands, except share data)		
Numerator			
Net loss arising during development stage	(13,820)	(7,386)	(6,421)
Numerator for diluted earnings per share	$ (13,820)	$ (7,386)	$ (6,421)
Denominator			
Denominator for basic earnings per share -			
Weighted average number of shares used in computing net loss per share, basic and diluted	63,196,465	56,938,000	56,938,000
Effect of dilutive securities	—	—	—
Dilutive potential common shares	63,196,465	56,938,000	56,938,000
Basic and Diluted net loss per share	$ (0.22)	$ (0.13)	$ (0.11)

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 June 30,		
	2007	**2006**	**2005**
Outstanding Warrants	2,815,258	2,392,000	2,392,000

The warrants outstanding at June 30, 2007 have an exercise price of $4.35 per share and are exercisable prior to July 11, 2010.

During July 2006 the Company issued 6,452,937 shares of common stock and 2,815,258 warrants in connection with a PIPE capital raising and for securing a Standby Equity Distribution Agreement

4. Expenditure Commitments and Contingencies

At June, 30, 2007, the Company had contractual obligations for the conduct of clinical trials, pre- clinical research and development and manufacturing process development of approximately $10,318,000. 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)		Payment due by period			
Contractual Obligations	**Total**	less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Purchase Obligations	$10,318	$6,446	$3,652	$220	$—
Total	$10,318	$6,446	$3,652	$220	$—

No amounts have been included for future payments to Novogen which may arise in connection with the licence agreements, the services agreement or the manufacturing licence 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 6 “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 licence agreement for phenoxodiol, the manufacturing licence and supply agreement and the services agreement. Novogen has guaranteed the performance of the obligations of Novogen Research Pty Limited under the licence agreements for phenoxodiol and the obligations of Novogen Laboratories Pty Limited under the manufacturing licence 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 3, 2007, should it be unable to meet any of its financial commitments.

5. Segment Information

The Company’s focus is to continue the clinical program currently underway for the development and commercialization of phenoxodiol, NV-196 and NV-143. The business contains two major segments based on geographic location.

	Year Ended June 30,								
	2007			2006			2005		
	USA	Australia	Total	USA	Australia	Total	USA	Australia	Total
Statement of Operations		*(in thousands)*			*(in thousands)*			*(in thousands)*	
Interest Revenue	505	140	645	348	98	446	238	70	308
Loss from operations	(1,928)	(11,891)	(13,819)	(196)	(7,189)	(7,385)	(326)	(6,095)	(6,421)
Income Tax Expense	(1)	—	(1)	(1)	—	(1)	—	—	—
Net loss arising during development stage	(1,929)	(11,891)	(13,820)	(197)	(7,189)	(7,386)	(326)	(6,095)	(6,421)
Balance Sheet									
Segment assets	50,231	1,399	51,630	33,767	2,895	36,662	33,877	4,266	38,143
Elimination of investment in subsidiary	(35,340)	—	(35,340)	(26,267)	—	(26,267)	(18,779)	—	(18,779)
Consolidated Assets	$ 14,891	$ 1,399	$ 16,290	$ 7,500	$ 2,895	$ 10,395	$ 15,098	$ 4,266	$ 19,364
Segment liabilities	$ 110	$ 2,403	$ 2,513	$ 180	$ 1,080	$ 1,260	$ 93	$ 2,750	$ 2,843

6. Related Party Transactions

Licence Agreement for Phenoxodiol

In September 2003, the Company entered into a licence agreement pursuant to which Novogen's subsidiary, Novogen Research Pty Limited, granted to MEPL a worldwide non-transferable licence under its patents and patent applications and in its know-how to conduct clinical trials and commercialize and distribute phenoxodiol products. The licence 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 licence 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 licence fee payment due under the terms of the licence agreement. Also, MEPL paid $2,000,000 to Novogen in January 2005 and $4,000,000 in January 2006 which was the annual milestone licence fee payments due under the licence agreement. The Company paid a second lump sum licence fee of $5,000,000 to Novogen in July 2006 following the raising of funds in a private placement. This licence fee was due on the later of 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 exceeded $50,000,000. Following the private placement or PIPE closed on July 11, 2006 the funds received from equity issuances exceeded $50,000,000 which triggered this licence fee payment. Future amounts payable to Novogen under terms of the licence agreement are as follows:

1. Until the expiration of the exclusivity period of the licence, MEPL must pay Novogen 2.5% of all net sales and 25% of commercialization income. After the exclusivity period of the licence, 1.5% of net sales must be paid to Novogen. The preconditions to such payments have not yet occurred.

The "Exclusivity Period" ends on the later of:

(a) the date of expiration or lapsing of the last patent right in the patents and patent applications set out in the licence agreement with Novogen; or

(b) the date of expiration or lapsing of the last licenced patent right which MEPL would, but for the licence granted in the licence agreement, infringe in any country in the geographical territory covered by the licence agreement by doing in that country any of the things set out in the licence agreement.

2. In addition to the amounts above, beginning in 2006, an $8 million annual milestone licence fee is payable under the amended terms of the licence agreement for each calendar year ending December 31 during the exclusivity period of the licence. The December 31, 2006 licence fee has been deferred under the licence amendment deed which is discussed below.

Licence Amendment Deed for Phenoxodiol

In June 2006, the Company entered into an amendment deed to the licence agreement for phenoxodiol. Pursuant to the original term of the licence agreement for phenoxodiol the Company was required to pay an $8,000,000 licence milestone fee to Novogen Research Pty Limited in December 2006. The amendment deed extends the date that the $8,000,000 licence milestone fee is payable until the earliest receipt by MEPL of the first:

(i) approval by the FDA of a New Drug Application (NDA) for phenoxodiol;

(ii) approval or authorization of any kind to market phenoxodiol in the United States; or

(iii) approval or authorization of any kind by a government agency in any other country to market phenoxodiol.

Upon receipt of any of the above (the “Approval Date”), the Company must pay to Novogen, $8,000,000, together with interest on that amount from (and including) December 31, 2006, calculated at the bank bill rate. This milestone licence fee replaces the $8,000,000 December 31, 2006 milestone fee.

Further Amended and Restated License Agreement

Following agreement in March 2007, MEPL and Novogen Research Pty Limited entered into another amendment deed to the licence agreement for phenoxodiol for the purpose of further amending and restating the license agreement (the “Further Amended and Restated License Amendment”).

The combined result of the Licence Amendment Deed for Phenoxodiol and the Further Amended and Restated License Agreement will be that upon the Approval Date, MEPL will be required to pay Novogen Research Pty Limited $8,000,000, together with interest on such amount from (and including) December 31, 2006 to (but excluding) the Approval Date. Thereafter, MEPL will be required to make license milestone fee payments of $8,000,000 to Novogen Research Pty Limited on December 31 of the year of the Approval Date and on December 31 of each year thereafter during the exclusivity period under the License Agreement.

No licence fees have been accrued at June 30, 2007.

Licence Agreement NV-196 and NV-143

In May 2006, the Company entered into a second licence agreement with Novogen for two oncology compounds, NV-196 and NV-143. NV-196 is being developed initially in oral form for pancreatic and bile duct cancer and is currently in Phase I human testing. NV-143 is targeted for the treatment of melanoma, also in oral dose form, and is in the pre-clinical testing stage. The licence agreement is an agreement under which Novogen's subsidiary, Novogen Research Pty Limited, grants to MEPL a worldwide non-transferable licence under its patents and patent applications and in its know-how to conduct clinical trials and commercialize and distribute NV-196 and NV-143 products. The licence agreement covers uses of NV-196 and NV-143 in the field of prevention, treatment or cure of cancer in humans delivered in all forms except topical applications. The licence 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 $1,000,000 to Novogen in May 2006 which was the first lump sum licence fee payment due under the terms of the licence agreement. The Company is required to make payments under the terms of this second licence agreement with Novogen as follows:

1. A lump sum licence fee of $1,000,000 is payable to Novogen on the commencement date of the licence in consideration of the licence granted. This initial lump sum licence fee was paid to Novogen in May 2006.

2. In further consideration of the licence granted, MEPL must pay to Novogen the following milestone licence fees upon the occurrence of the corresponding milestone as set forth below;

a) the first licence product containing NV-196 to reach a milestone as set forth below; and

b) the first licenced product containing NV-143 to reach a milestone as set forth below.

The milestone licence fees are:

i) $1,000,000 on the date an IND for the licenced product goes into effect or the equivalent approval of a government agency is obtained in another country. If this event does not occur before March 31, 2008 then this amount will be due on this date;

ii) $2,000,000 on the date of enrollment of the first clinical trial subject in a Phase II clinical trial of the licenced product. If this event does not occur before June 30, 2009, then this amount will be due on this date;

iii) $3,000,000 on the date of enrollment of the first clinical trial subject in a Phase III clinical trial of the licenced product. If this event does not occur before December 31, 2011, then this amount will be due on this date; and

iv) $8,000,000 on the date of first receipt of a NDA for the licenced product from the FDA or equivalent approval from a government agency in another country. If this event does not occur before December 31, 2013, then this amount will be due on this date.

3. MEPL must pay Novogen royalties of 5.0% of all net sales and 25% of commercialization income for the term of the licence. The royalty rate is reduced by 50% if the licenced patent rights in any country or territory expire, lapse, are revoked, do not exist or are assigned to MEPL and the product is entirely manufactured and supplied in such country.

4. Minimum royalties of $3,000,000 per year are payable following the date of first receipt of an NDA for a licenced product from the FDA (or equivalent approval from a government agency in any other country) until the expiration of the term.

The licence agreement is able to be cancelled without penalty by MEPL by giving three months notice. Therefore licence fees due under the licence agreement are recognised as an expense when the milestone event occurs.

Amended and Restated Licence Option Deed

On September 24, 2003, MEPL and Novogen Resarch Pty Limited entered into an Amended and Restated Licence Option Deed (the “Licence Option Deed”). The licence 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.

Amended and Restated Services Agreement

On September 24, 2003, the Company, Novogen and MEPL entered into an Amended and Restated Services Agreement (the “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 and other licenced products, including NV-196 and NV-143. 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 $1,963,000, $1,294,000 and $1,073,000 were made under the Services Agreement with Novogen during the twelve months ended June 30, 2007, 2006 and 2005 respectively. Of these amounts, $1,145,000, $588,000 and $385,000 related to service fees paid to Novogen for research and development services provided in the twelve months ended June 30, 2007, 2006 and 2005 respectively, reflecting the time spent by Novogen research staff on the development of phenoxodiol. Additionally, $818,000, $707,000 and $688,000 of the total expenditures during the twelve months ended June 30, 2007, 2006 and 2005, respectively, related to costs incurred for administration and accounting services provided by Novogen.

At June 30, 2007 and 2006, $177,000 and $118,000, respectively, was due and owing to Novogen under the services agreement and is included in amounts due to related company.

Amended and Restated Manufacturing Licence and Supply Agreement

On September 24, 2003, MEPL and Novogen Laboratories Pty Limited entered into an Amended and Restated Manufacturing Licence and Supply Agreement (the “Manufacturing Licence and Supply Agreement”).Under the terms of the Manufacturing Licence and Supply Agreement, MEPL has granted to one of Novogen’s subsidiaries an exclusive, non-transferable sub licence 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. Phenoxodiol supplied by Novogen under the terms of this agreement will by charged at cost plus a 50% markup.

Transactions giving rise to expenditures amounting to $153,000, $527,000 and $612,000 were made under the manufacturing licence and supply agreement with Novogen during the twelve months ended June 30, 2007, 2006 and 2005, respectively.

At June 30, 2007 no amount was due and owing to Novogen under the Manufacturing Licence and Supply Agreement. At June 30, 2006 $74,000 was due and owing to Novogen and is included in amounts due to related company.

Novogen has taken the strategic decision not to manufacture large scale Active Pharmaceutical Ingredients for cancer drugs, including phenoxodiol, as these can be more economically supplied by third parties with particular expertise in this area.

7. Equity

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

In 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 AIM. Following the listing, Novogen 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 Global Market. The Company received proceeds of $15,522,000, net of $2,431,000 transaction costs in the December 2003 offering.

On December 18, 2006, 2,392,000 warrants which were issued in connection with the December 2003 public offering expired and no shares of common stock were issued relating to those warrants.

In January 2006, the Company voluntarily cancelled the trading of its common stock on the AIM.

On July 11, 2006, the Company entered into a securities subscription agreement with certain accredited investors providing for the placement of 6,329,311 shares of the Company's common stock and warrants exercisable for 2,215,258 shares of the Company's common stock at a purchase price of $2.90 per unit. Each unit consisted of one share of common stock and 0.35 of a warrant to purchase one share of common stock. The warrants have an exercise price of $4.35 per share, subject to certain adjustments. The exercise price and number of shares issuable upon exercise of such warrants are subject to adjustment in the event of stock dividends, stock splits and other similar events. The warrants may be exercised no less than six months from the closing date and will expire four years from the date of issuance, or July 11, 2010. The Company closed the private placement on July 11, 2006. In connection with the private placement or PIPE, the Company received proceeds of $16.8 million net of $1.5 million commissions and other costs.

In connection with the securities subscription agreement described above the Company entered into a registration rights agreement pursuant to which the Company is obligated to file a resale registration statement with the SEC covering the shares of common stock issued in connection with the securities subscription agreement, in addition to the shares of common stock underlying the warrants issued in connection with the securities subscription agreement. The Company filed the registration statement on August 9, 2006. The resale registration statement was declared effective September 5, 2006.

On July 11, 2006, the Company entered into a standby equity distribution agreement (the “SEDA”), with Cornell Capital Partners, LP (“Cornell”). Under the SEDA, the Company may issue and sell to Cornell shares of its common stock for a total purchase price of up to $15 million, once a resale registration statement is in effect. Commencing as of the effective date of the registration statement and continuing for up to 24 months thereafter, the Company has sole discretion whether and when to sell shares of its common stock to Cornell. Cornell will be irrevocably bound to purchase shares of common stock from the Company after the Company sends a notice that it intends to sell shares of its common stock to Cornell. Each advance under the SEDA is limited to a maximum of $1.5 million.

In connection with the SEDA, the Company paid Cornell a commitment fee of 123,626 shares of its common stock and warrants to purchase 600,000 shares of its common stock which expire on July 11, 2010. The warrants have an exercise price of $4.35 per share, subject to certain adjustments. The exercise price and number of shares issuable upon exercise of such warrants are subject to adjustment in the event of stock dividends, stock splits and other similar events. The commitment fee, comprising shares and warrants, is a share-based payment and has been accounted for in accordance with FAS123R “Share-based Payment”. The fair values of shares and warrants issued have been recognized directly as equity in the balance sheet and as selling, general and administration expenses in the income statement in the year ended June 30, 2007.

Before the Company can sell any shares of its common stock to Cornell under the SEDA, a resale registration statement must be filed with and declared effective by the SEC to cover Cornell’s resale of shares of the Company’s common stock that it buys under the SEDA.

The Company has not issued any shares of common stock under the terms of the SEDA.

Under the terms of the PIPE, the Company is required to maintain an effective registration statement covering the resale shares of common stock issued in the PIPE and the shares of common stock issueable upon exercise of the warrants issued in the PIPE. At the date of issuance the Company assessed the terms of the agreement, as the penalty for not maintaining the registration of common stock is less than the difference between the value of registered shares and unregistered shares, the equity has been classified as permanent equity.

On January 1, 2007 the Company adopted FASB Staff Position No. EITF 00-19-2 (FSP 00-19-2). FSP 00-19-2 requires the contingent obligation to make future payments under the registration rights agreement be recognized separately in accordance with FASB Statement No. 5, Accounting for Contingencies and the underlying warrants be recognized without regard to the contingent obligation. The adoption of FSP 00-19-2 had no effect on the Company’s financial statements as the warrants will remain classified as permanent equity and management does not currently believe that it is probable a payment will be made under the registration rights agreement

At the end of the fiscal year ending June 30, 2007 Novogen owned approximately 78.1% of the outstanding common stock.

8. Significant Events After Balance Date

On August 1, 2007, the Company entered into a securities subscription agreement with certain accredited investors providing for the placement of 5,464,001 shares of our common stock at a purchase price of $3.00 per share. The investors in the transaction also received a warrant to purchase an additional 4 shares of common stock for every block of 10 shares of common stock purchased. All of the warrants have an exercise price of $3.60 per share. The warrants may be exercised beginning February 6, 2008 and will expire five years from the date of issuance, or August 6, 2012. The Company also issued 62,091 warrants to Blue Trading, LLC, which acted as the placement agent in the private placement, as part of the placement fee. The warrants issued to Blue Trading, LLC have an exercise price of $3.00 per share and each warrant is convertible for 4 shares of common stock. These warrants may be exercised immediately and will expire five years from the date of issuance, on August 6, 2012. The Company closed the private placement on August 6, 2007. In connection with the PIPE we received gross proceeds of $16.4 million.

The Company has entered into a registration rights agreement with the investors party to the securities subscription agreement, and Blue Trading, LLC, and has agreed to file a registration statement with the SEC for the common stock and the common stock issuable upon exercise of the warrants sold pursuant to the securities subscription agreement for resale thereunder.

In addition, the Company terminated the SEDA with Cornell.

9. Quarterly Financial Data (Unaudited)

2007 for the quarter ended	Jun-30	Mar-31	Dec-31	Sep-30	Year
			(in thousands except per share data)		
Revenue	156	171	183	135	645
Loss from operations	(2,042)	(1,722)	(2,175)	(7,880)	(13,819)
Net Loss arising during development stage	(2,042)	(1,723)	(2,175)	(7,880)	(13,820)
Basic and diluted loss per share	(0.03)	(0.03)	(0.03)	(0.13)	(0.22)

2006 for the quarter ended	Jun-30	Mar-31	Dec-31	Sep-30	Year
			(in thousands except per share data)		
Revenue	93	101	130	122	446
Loss from operations	(552)	(3,252)	(1,778)	(1,803)	(7,385)
Net Loss arising during development stage	(553)	(3,252)	(1,778)	(1,803)	(7,386)
Basic and diluted loss per share	(0.01)	(0.06)	(0.03)	(0.03)	(0.13)

10. Contingent Liabilities

On 11 July, 2006 the Company entered into a registration rights agreement in connection with the private placement or PIPE capital raising which provides for liquidated damages of up to 10% of the aggregate purchase price of the shares issued as part of the PIPE transaction if the Company does not maintain an effective registration of those shares. An effective registration has been maintained at the date of this report.

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

None.

Item 9a.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this report, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Controls

There were no changes in internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to affect the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

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 the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within the company are detected. Accordingly, our disclose controls and procedures are designed to provide reasonable not absolute assurance that the objectives of our disclosure control system are met and, as set forth above, our chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were sufficiently effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Item 9b. Other Information

Not applicable

PART III

Item 10. Directors and Executive Officers of the Registrant

Code of Ethics

We have adopted a Code of Business and Ethics policy that applies to our directors and employees (including our principal executive officer and our principal financial officer), and have posted the text of our policy on our website (www.marshalledwardsinc.com). In addition, we intend to promptly disclose (i) the nature of any amendment to the policy that applies to our principal executive officer and principal financial officer and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

The other information required by this item is incorporated herein by reference to our proxy statement for the fiscal year ended June 30, 2007 (the "Proxy Statement").

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Certain of the information required by this item is included in Part II Item 5 of this Annual Report and certain information is incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

Reference is made to the Index to Financial Statements under Item 8, Part II hereof.

2. Financial Statement Schedules

The Financial Statement Schedules have been omitted either because they are not required or because the information has been included in the financial statements or the notes thereto included in this Annual Report on Form 10-K.

3. Exhibits

Exhibit Index

Exhibits

3.1	Restated Certificate of Incorporation (1)
3.2	Amended and Restated Bylaws (21)
4.1	Specimen Stock Certificate (3)
4.2	Specimen Warrant Certificate (4)
4.3	Specimen Warrant Certificate (5)
4.4	Specimen Warrant Certificate *
4.5	Warrant Agreement (6)
4.6	Form of Warrant Agreement (7)
4.7	Warrant Agreement (22)
4.8	Amended and Restated Warrant Agreement (26)
4.9	Form of Warrant (8)
4.10	Form of Warrant (23)
4.11	Form of Warrant (28)
10.1	Amended and Restated Licence Agreement between Novogen Research Pty Limited and Marshall Edwards Pty Limited (9)
10.2	Amended and Restated Manufacturing Licence and Supply Agreement between Novogen Laboratories Pty Limited and Marshall Edwards Pty Limited (10)
10.3	Amended and Restated Licence Option Deed between Novogen Research Pty Limited and Marshall Edwards Pty Limited (11)
10.4	Amended and Restated Services Agreement among Novogen Limited, Marshall Edwards, Inc. and Marshall Edwards Pty Limited (12)
10.5	Guarantee and Indemnity among Marshall Edwards, Inc., Novogen Laboratories Pty Limited, Novogen Research Pty Limited and Novogen Limited (13)
10.6	Marshall Edwards, Inc. Share Option Plan (14)
10.7	Licence Agreement between Novogen Research Pty Limited and Marshall Edwards Pty Limited (15)
10.8	Amendment Deed between Novogen Research Pty Limited and Marshall Edwards Pty Limited (16)
10.9	Securities Subscription Agreement by and among Marshall Edwards, Inc. and the investors listed on Schedule 2.1 thereto (17)
10.10	Registration Rights Agreement by and among Marshall Edwards, Inc. and the investors as signatories thereto (18)
10.11	Standby Equity Distribution Agreement between Marshall Edwards, Inc. and Cornell Capital Partners, L.P. (19)
10.12	Registration Rights Agreement between Marshall Edwards, Inc. and Cornell Capital Partners, L.P. (20)
10.13	Securities Subscription Agreement, dated as of August 1, 2007 by and among Marshall Edwards, Inc. and the investors listed on schedule 2.1 thereto (24)
10.14	Registration Rights Agreement, dated as of August 6, 2007 by and among Marshall Edwards, Inc. and the purchases signatory thereto (25)
10.15	Registration Rights Agreement, dated as of September 26, 2007, between Marshall Edwards, Inc. and Blue Trading, LLC (27)
21.1	Subsidiaries of Marshall Edwards, Inc. (2)
23.1	Consent of BDO Kendalls (NSW)*
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)
32.1	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)

* Filed herewith.

(1) Incorporated by reference to Exhibit 3.1 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(2) Incorporated by reference to Exhibit 21 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(3) Incorporated by reference to Exhibit 4.1 to Amendment No. 1 to Registrant's Registration Statement on Form S-1 filed on October 31, 2003 (Reg. No. 333-109129).

(4) Incorporated by reference to Exhibit 4.3 Amendment No. 1 to Registrant's Registration Statement on Form S-1 filed on October 31, 2003 (Reg. No. 333-109129).

(5) Incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-3 filed on August 9, 2006 (Reg. No. 333-136440).

(6) Incorporated by reference to Exhibit 4.2 to Amendment No. 1 to Registrant's Registration Statement on Form S-1 filed on October 31, 2003 (Reg. No. 333-109129).

(7) Incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on July 12, 2006.

(8) Incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on July 12, 2006.

(9) Incorporated by reference to Exhibit 10.1 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(10) Incorporated by reference to Exhibit 10.2 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(11) Incorporated by reference to Exhibit 10.3 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(12) Incorporated by reference to Exhibit 10.4 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(13) Incorporated by reference to Exhibit 10.5 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(14) Incorporated by reference to Exhibit 10.6 to Registrant's Registration Statement on Form S-1 filed on September 25, 2003 (Reg. No. 333-109129).

(15) Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed on May 16, 2006.

(16) Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 9, 2006

(17) Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K/A filed on July 12, 2006.

(18) Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on July 12, 2006.

(19) Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on July 12, 2006.

(20) Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on July 12, 2006.

(21) Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on July 30, 2007.

(22) Incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on August 6, 2007.

(23) Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on August 6, 2007.

(24) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 6, 2007.

(25) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 6, 2007.

(26) Incorporated by reference to Exhibit 4.8 to the Registrant's Current Report on Form 8-K/A filed on September 27, 2007.

(27) Incorporated by reference to Exhibit 10.15 to the Registrant's Current Report on Form 8-K/A filed on September 27, 2007.

(28) Incorporated by reference to Exhibit 4.11 to the Registrant's Current Report on Form 8-K/A filed on September 27, 2007.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on September 27, 2007.

MARSHALL EDWARDS, INC.
A Delaware Corporation

By: /s/ Christopher Naughton
Christopher Naughton
Chief Executive Offer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 27, 2007.

Signatures	Title
By: /s/ Christopher Naughton Christopher Naughton	President, Chief Executive Officer and Director
By: /s/ David Seaton David Seaton	Secretary, Chief Financial Officer
By: /s/ Stephen Breckenridge Stephen Breckenridge	Director
By: /s/ Bryan Williams Bryan Williams	Director
By: /s/ Paul Nestel Paul Nestel	Director
By: /s/ Philip Johnston Philip Johnston	Director
By: /s/ William Rueckert William Ruechert	Director

Exhibit 4.4

016570| 003590|127C|RESTRICTED||4|057-423

WARRANT

Certificate Number
WWWW 00000000

WARRANT

THIS CERTIFICATE IS TRANSFERABLE IN CANTON, MA AND JERSEY CITY, NJ

Shares

MARSHALL EDWARDS, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

MR SAMPLE & MRS SAMPLE &
MR SAMPLE & MRS SAMPLE

CUSIP 572322 13 9

SEE REVERSE FOR CERTAIN DEFINITIONS

is the owner of

SIX HUNDRED THOUSAND
SIX HUNDRED AND TWENTY

WARRANTS TO PURCHASE SHARES OF COMMON STOCK, PAR VALUE $0.00000002 PER SHARE, OF

Marshall Edwards, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the warrants represented hereby, are issued and shall be held subject to all of the provisions of the Warrant Agreement between the Company and the Warrant Agent, dated as of August 1, 2007, (a copy of which is on file with the Company and with the Warrant Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Warrant Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

President

Secretary

Marshall Edwards, Inc. SEAL 2000 DELAWARE

DATED <<Month Day, Year>>

COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE INVESTOR SERVICES, LLC.
(CHICAGO)
TRANSFER AGENT AND REGISTRAR.

By _____ AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

1234567

Marshall Edwards, Inc.

PO Box A3480 Chicago IL 60690-3480

MR A SAMPLE
DESIGNATION (IF ANY)
ADD 1
ADD 2
ADD 3
ADD 4

CUSIP	XXXXXX XX X
Holder ID	XXXXXXXXXX
Insurance Value	1,000,000.00
Number of Shares	123456
DTC	12345678 123456789012345

Certificate Numbers	Num/No.	Denom.	Total
1234567890/1234567890	1	1	1
1234567890/1234567890	2	2	2
1234567890/1234567890	3	3	3
1234567890/1234567890	4	4	4
1234567890/1234567890	5	5	5

1234567890/1234567890	6	6	6
Total Transaction			7

VOID AFTER 5 P.M. EASTERN TIME ON AUGUST 6, 2012
WARRANTS TO PURCHASE COMMON STOCK
MARSHALL EDWARDS, INC.

Each Warrant, entitles the holder thereof to purchase from Marshall Edwards, Inc., a corporation incorporated under the laws of the State of Delaware the ("Company"), subject to the terms and conditions set forth hereinafter and in the Warrant Agreement, hereinafter more fully described (the "Warrant Agreement") at any time on or before the close of business on August 6, 2012 ("Expiration Date"), four fully paid and non-assessable shares of Common Stock of the Company, par value $0.00000002 per share ("Common Stock") upon presentation and surrender of this Warrant Certificate, with the instructions for the registration and delivery of Common Stock filled in, at the stock transfer office in Chicago, Illinois, of Computershare Investor Services, Warrant Agent of the Company ("Warrant Agent") or of its successor warrant agent or, if there be no successor warrant agent, at the corporate offices of the Company, and upon payment of the Exercise Price per Warrant (as defined in the Warrant Agreement) and any applicable taxes paid either in cash, or by certified or official bank check, payable in lawful money of the United States of America to the order of the Company. The number and kind of securities or other property for which the Warrants are exercisable are subject to adjustment in certain events, such as mergers, splits, stock dividends, splits and the like, to prevent dilution.

This Warrant Certificate is subject to all terms, provisions and conditions of the Warrant Agreement, dated as of August 1, 2007, between the Company and the Warrant Agent, to all of which terms, provisions and conditions the registered holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is incorporated herein by reference and made a part hereof and reference is made to the Warrant Agreement for a full description of the rights, limitations of rights, obligations, duties and immunities of the Warrant Agent, the Company and the holders of the Warrant Certificates. Copies of the Warrant Agreement are available for inspection at the stock transfer office of the Warrant Agent or may be obtained upon written request addressed to the Company at 140 Wicks Road, North Ryde NSW 2113, Australia, Attn: Secretary.

The Company shall not be required upon the exercise of the Warrants evidenced by this Warrant Certificate to issue fractions of Warrants, Common Stock or other securities, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Warrant Agreement.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AMD EXCHANGE COMMISSION THE SECURITIES COMMISSION OF ANY STATE AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

This Warrant Certificate, with or without other Certificates, upon surrender to the Warrant Agent, any successor warrant agent or, in the absence of any successor warrant agent, at the corporate offices of the Company, may be exchanged for another Warrant Certificate or Certificates evidencing in the aggregate the same number of Warrants as the Warrant Certificate or Certificates so surrendered. If the Warrants evidenced by this Warrant Certificate shall be exercised in part, the holder hereof shall be entitled to receive upon surrender hereof another Warrant Certificate Certificates evidencing the number of Warrants not so exercised.

No holder of this Warrant Certificate, as such, shall be entitled to vote, receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose whatever, nor shall anything contained in the Warrant Agreement or herein be construed to confer upon the holder of this Warrant Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof or give or withhold consent to any corporate action (whether upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any merger, recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, conveyance or otherwise) or to receive notice of meetings or other actions affecting stockholders (except as provided in the Warrant Agreement) or to receive dividends or subscription rights or otherwise until the Warrants evidenced by this Warrant Certificate shall have been exercised and the Common Stock purchasable upon the exercise thereof shall have become deliverable as provided in the Warrant Agreement.

If this Warrant Certificate shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other class of stock purchasable upon the exercise of the Warrants evidenced by this Warrant Certificate are closed for any purpose, the Company shall not be required to make delivery of certificates for shares purchasable upon such transfer until the date of the reopening of said transfer books.

Every holder of this Warrant Certificate by accepting the same consents and agrees with the Company, the Warrant Agent, and with every other holder of a Warrant Certificate that:

(a) this Warrant Certificate is transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in the Warrant Agreement, and

(b) the Company and the Warrant Agent may deem and treat the person in whose name this Warrant Certificate is registered as the absolute owner hereof (notwithstanding any rotation of ownership or other writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes whatever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary. The Company shall not be required to issue or deliver any certificate for shares of Common Stock or other securities upon the exercise of Warrants evidenced by this Warrant Certificate until any tax which may be payable in respect thereof by the holder of this Warrant Certificate pursuant to the Warrant Agreement shall have been paid, such tax being payable by the holder of this Warrant Certificate at the time of surrender.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent.

Exhibit 23.1

Marshall Edwards, Inc.
140 Wicks Road
NORTH RYDE NSW 2113
AUSTRALIA

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-136440) of Marshall Edwards, Inc. of our report dated September 27, 2007, relating to the consolidated financial statements which appear in this Form 10-K.

BDO Kendalls (NSW)

Sydney, NSW, Australia

September 27, 2007

Exhibit 31.1

CERTIFICATION

I, Christopher Naughton, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended June 30, 2007 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 registrants fourth fiscal quarter 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: September 27, 2007

/s/ Christopher Naughton
Christopher Naughton
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David Ross Seaton, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended June 30, 2007 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 registrants fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant'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: September 27, 2007

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

Exhibit 32.1

CERTIFICATION

Each of the undersigned hereby certifies, for the purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant o Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Marshall Edwards, Inc. (“Marshall Edwards”) that, to his knowledge, this Annual Report of Marshall Edwards on Form 10-K for the period ended June 30, 2007, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such a report fairly presents, in all material respects, the financial condition and results of operation of Marshall Edwards.

/s/ CHRISTOPHER NAUGHTON	/s/ DAVID SEATON
Christopher Naughton	David R. Seaton
Chief Executive Officer	Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Marshall Edwards and will be retained by Marshall Edwards and furnished to the Securities and Exchange Commission or its staff upon request.