



CEO's letter to shareholders

Thursday, 23 May 2002

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Dear Shareholders,

There have been many exciting advances within Novogen over the last few months. This letter is to notify you of an important corporate development that has been brought about because of the success of the Company's ongoing drug development program.

The Company's phenolic drug development program has advanced to the point where the Company now is involved in developing human clinical drug trials across the three therapeutic areas of oncology (cancer), cardiovascular, and dermatology. This is an exciting and rapidly growing program of development that over the next few years we expect will see the Company involved in a significant number of clinical trials around the world across a broad range of drugs.

We regard the opportunity facing Novogen as unique, in the sense that we have a technology platform that already is proving to be a valuable source of drugs that is bringing a breakthrough approach to the problem of treatment of some of our most serious degenerative diseases. For some years now, laboratory studies have suggested the potential therapeutic value of the Novogen technology – the human studies now being conducted are confirming that potential.

As a result of its pipeline of new drugs under development, Novogen has become a recognised player in the global race to develop major new drugs and is at the forefront in a number of key areas such as the development of drugs to treat cancer and heart disease.

The Company's oncology drug program is the most advanced and the most comprehensive of the different therapeutic areas we are currently pursuing. Phenoxodiol now is undergoing 5 clinical studies in

Australia and the US, an extensive program that reflects the international interest in this promising new drug. The drug now is poised to enter the next important stage of its development – Phase IIb. In this next phase, phenoxodiol will be used in patients with specific types of cancer and will be used in a way that will test the drug's ability to treat the cancers. For this phase we have selected cancers of the prostate, kidney and ovary as the specific types.

Behind phenoxodiol, however, is an anti-cancer drug development program that has identified a family of drugs with unique activity – the ability to kill specific types of cancer. This brings a new and innovative approach to the treatment of human cancers and represents a major advance in the search for new anti-cancer drugs.

All of this rapid advancement in the oncology drug program has brought the need for Novogen to expedite plans for financing the ongoing and expanding human clinical trials, and to adjust its corporate structure to facilitate the eventual commercial program that will bring phenoxodiol to market.

I am pleased to now be able to bring you up to date with a significant corporate development. This is the stock market listing of Novogen's anti-cancer drug subsidiary - Marshall Edwards Inc.

What is Marshall Edwards Inc?

Marshall Edwards Inc (often known as MEI) is a US-registered company established by Novogen to provide a commercial vehicle for its anti-cancer drug technology.

The Company's first and foremost anti-cancer drug, phenoxodiol, has been licensed into MEI. Also, MEI has been granted the option rights to any or all other oncology drugs that it selects from the Novogen research portfolio.

Where is MEI listed?

MEI is now publicly quoted on the Alternate Investment Market of the London Stock Exchange. MEI shares are now available for trading in

the UK, and can be bought and sold through stockbrokers who deal in international shares. As the number of shareholders increases over time, MEI may decide also to list on other international stock exchanges.

What is the relationship between Novogen and MEI?

Novogen is the majority shareholder in MEI. After the recent placement of 4.8% of MEI stock at US\$4 per share raising US\$10.1 million (A\$ 18.3 million), Novogen retains 95.2% ownership of MEI.

MEI is a fully independent company, but Novogen Directors and executives will contribute significantly to the Company's day-to-day operations and strategic planning.

Who are the new shareholders?

The share placement was done with North American, European and Australian institutions and private investors.

These shareholders who invested under this initial private placement which coincided with the stock market listing of MEI, also have an option to purchase an equivalent further shareholding in MEI for another US\$10.1 million within the next 18 months.

The UK advisor and broker to MEI which managed the listing (KBC Peel Hunt Ltd) has an option to buy up to half a percent of MEI to facilitate liquidity in the trading of shares on the AIM, over the next 12 months. The broker options are at the same exercise price as the investor options. If the broker options and the investor options are exercised in full, and for which MEI would receive further payments, then at that time Novogen would retain over 90% of MEI.

It is a requirement of the AIM rules that Novogen does not sell any of its holding in MEI during the twelve months after listing, and so unless MEI were to issue new stock, Novogen will hold a not less than 90% share of MEI for at least the next year.

Why has MEI been established?

There are two main reasons for having a separate anti-cancer company within our group structure.

First, it allows for the direct funding of the oncology drug program by investors who wish to invest purely in an anti-cancer drug company. This separate investment focus and project-specific financing is in the interests of all Novogen shareholders as it significantly reduces the cost of funding to the Novogen Group.

Second, when commercialisation plans call for a licensing arrangement with a larger pharmaceutical company, there is often a part of the arrangement that involves an equity transfer or equity participation in the licensor company. The establishment of a company such as MEI allows for such an arrangement without prejudicing the ability of Novogen to enter into similar arrangements with other companies in any of its other areas of therapeutic drug development.

What does it mean to me as a Novogen shareholder?

Novogen shareholders benefit in a number of ways:

First, the funds raised recently by MEI to progress its drug development program have been raised at a premium, meaning that the eventual share dilution effect has been considerably lessened for Novogen shareholders;

Second, by transferring the cost of funding the phenoxodiol program to MEI, this enables Novogen to put the necessary resources into the development of its other extensive drug pipeline, and hence accelerate the value of this intellectual property;

Third, success with phenoxodiol will entitle Novogen to receive milestone payments and royalties on sales of the drug. Novogen also will receive part of any fees paid to MEI under any further licence arrangements. Novogen also will manufacture phenoxodiol and sell the drug to MEI on a commercial basis.

The summary of the Novogen listed corporate structure is now as follows:

- Novogen Limited has a listing on both the Australian Stock Exchange (under the symbol “NRT”) and on the NASDAQ market in the US (under the symbol “NVGN”).
- Marshall Edwards Inc (MEI) is listed on the Alternate Investment Market (AIM) of the London Stock Exchange (under symbol “MSH”).
- Novogen owns 95.2% of MEI. The other 4.8% of MEI is owned by other shareholders who have invested US\$ 10.1 million to purchase that 4.8% share of the company.

At Novogen we are very pleased with the positive outcome of the establishment and listing of MEI, and of the increasing recognition of the inherent value of the Novogen anti-cancer program and phenoxodiol in particular.

Also this week, more positive information about phenoxodiol has been released.

The results of the eighteen patients who received phenoxodiol in the Australian trial conducted at St George Hospital in Sydney, were made public at the American Society of Clinical Oncology conference in Orlando USA. This clinical trial, in which patients with rapidly growing, terminal cancer received one injection of phenoxodiol each week for six weeks, was conducted principally to determine the safety of the drug, and the outcome was that the drug had none of the usual side-effects normally associated with chemotherapy. A secondary outcome was to gain some preliminary evidence of those tumours that might respond to phenoxodiol. This was measured on the basis of patients showing no evidence of disease progression after 6 weeks. The results were that 7 of the 18 patients continued treatment for at least 12 weeks, with 2 continuing treatment for periods up to 24 weeks with evidence of stabilisation of their tumours. Given the advanced state of these tumours and the fact that they had become resistant to all other forms of chemotherapy, this is a highly encouraging outcome.

These results are consistent with the results from the trial at the Cleveland Clinic in the US presented in April at the 93rd Annual Meeting of the American Association for Cancer Research. In that trial terminal cancer patients were continuously infused with the drug. In

the first ten patients, an equally favourable safety profile was recorded and six out of ten terminal cancer patients experienced disease stabilisation.

The favourable toxicity profile and the significant results in disease stabilisation, auger very well for the ongoing phenoxodiol human clinical trial program.

With phenoxodiol and with the other equally exciting Novogen drug compounds in human clinical trials, we anticipate making a significant impact on the treatment options that are available across a broad range of therapeutic areas.

These are exciting developments, and we look forward to the ongoing increase in the value of the Company's intellectual property and to bringing the drug programs to the stage of commercialisation, for the benefit of all our shareholders and future patients.

Christopher Naughton
Managing Director