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

FORM 10-Q

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

For the quarterly period ended October 31, 2008

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: 0-17085

PEREGRINE PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**95-3698422**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
14282 Franklin Avenue, Tustin, California	**92780-7017**
(Address of principal executive offices)	*(Zip Code)*

(714) 508-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer	o	Accelerated Filer	☒
Non- Accelerated Filer (Do not check if a smaller reporting company)	o	Smaller reporting company	o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☒

As of October 31, 2008, there were 226,210,617 shares of common stock, $0.001 par value, outstanding.

PEREGRINE PHARMACEUTICALS, INC.

TABLE OF CONTENTS

The terms "we," "us," "our," "the Company," and "Peregrine," as used in this Report on Form 10-Q refers to Peregrine Pharmaceuticals, Inc. and its wholly owned subsidiary, Avid Bioservices, Inc.

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	OCTOBER 31, 2008	APRIL 30, 2008
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,210,000	$ 15,130,000
Trade and other receivables	1,747,000	605,000
Government contract receivables	837,000	-
Inventories, net	6,700,000	2,900,000
Prepaid expenses and other current assets	1,142,000	1,208,000
Total current assets	18,636,000	19,843,000
PROPERTY:		
Leasehold improvements	675,000	669,000
Laboratory equipment	4,247,000	4,140,000
Furniture, fixtures and office equipment	919,000	919,000
	5,841,000	5,728,000
Less accumulated depreciation and amortization	(3,931,000)	(3,670,000)
Property, net	1,910,000	2,058,000
Other assets	1,201,000	1,156,000
TOTAL ASSETS	$ 21,747,000	$ 23,057,000

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	OCTOBER 31, 2008	APRIL 30, 2008
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,419,000	$ 2,060,000
Accrued clinical trial site fees	550,000	237,000
Accrued legal and accounting fees	225,000	450,000
Accrued royalties and license fees	113,000	222,000
Accrued payroll and related costs	782,000	1,084,000
Capital lease obligation, current portion	23,000	22,000
Deferred revenue	6,472,000	2,196,000
Deferred government contract revenue	1,701,000	-
Customer deposits	1,575,000	838,000
Other current liabilities	372,000	331,000
Total current liabilities	15,232,000	7,440,000
Capital lease obligation, less current portion	10,000	22,000
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock-$.001 par value; authorized 5,000,000 shares; non-voting; nil shares outstanding	-	-
Common stock-$.001 par value; authorized 325,000,000 shares; outstanding – 226,210,617 and 226,210,617, respectively	226,000	226,000
Additional paid-in capital	246,698,000	246,205,000
Accumulated deficit	(240,419,000)	(230,836,000)
Total stockholders' equity	6,505,000	15,595,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 21,747,000	$ 23,057,000

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	October 31, 2008	**October 31, 2007**	**October 31, 2008**	**October 31, 2007**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
REVENUES:				
Contract manufacturing revenue	$ 983,000	$ 1,863,000	$ 2,176,000	$ 3,484,000
Government contract revenue	958,000	-	1,282,000	-
License revenue	-	29,000	-	33,000
Total revenues	1,941,000	1,892,000	3,458,000	3,517,000
COSTS AND EXPENSES:				
Cost of contract manufacturing	663,000	1,402,000	1,566,000	2,583,000
Research and development	4,301,000	5,100,000	8,369,000	8,724,000
Selling, general and administrative	1,527,000	1,943,000	3,233,000	3,651,000
Total costs and expenses	6,491,000	8,445,000	13,168,000	14,958,000
LOSS FROM OPERATIONS	(4,550,000)	(6,553,000)	(9,710,000)	(11,441,000)
OTHER INCOME (EXPENSE):				
Interest and other income	53,000	353,000	128,000	592,000
Interest and other expense	-	(7,000)	(1,000)	(14,000)
NET LOSS	$ (4,497,000)	$ (6,207,000)	$ (9,583,000)	$ (10,863,000)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and Diluted	226,210,617	226,210,617	226,210,617	216,141,092
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.05)

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED OCTOBER 31,	
	2008	**2007**
	Unaudited	*Unaudited*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,583,000)	$ (10,863,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	260,000	234,000
Share-based compensation	493,000	395,000
Changes in operating assets and liabilities:		
Trade and other receivables	(1,142,000)	(279,000)
Government contract receivables	(837,000)	-
Inventories, net	(3,800,000)	(584,000)
Prepaid expenses and other current assets	66,000	(296,000)
Accounts payable	1,359,000	772,000
Accrued clinical trial site fees	313,000	14,000
Accrued payroll and related costs	(302,000)	98,000
Deferred revenue	4,276,000	274,000
Deferred government contract revenue	1,701,000	-
Customer deposits	737,000	283,000
Other accrued expenses and current liabilities	(293,000)	(224,000)
Net cash used in operating activities	(6,752,000)	(10,176,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(112,000)	(195,000)
Increase in other assets	(45,000)	(234,000)
Net cash used in investing activities	(157,000)	(429,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of issuance costs of $1,641,000	-	20,932,000
Principal payments on notes payable	-	(225,000)
Principal payments on capital leases	(11,000)	(8,000)
Net cash (used in) provided by financing activities	(11,000)	20,699,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,920,000)	10,094,000
CASH AND CASH EQUIVALENTS, beginning of period	15,130,000	16,044,000
CASH AND CASH EQUIVALENTS, end of period	$ 8,210,000	$ 26,138,000

See accompanying notes to condensed consolidated financial statements

1. BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements include the accounts of Peregrine Pharmaceuticals, Inc. ("Peregrine"), a clinical stage biopharmaceutical company developing monoclonal antibodies ("MAb") for the treatment of cancer and serious viral infections, and its wholly owned subsidiary, Avid Bioservices, Inc. ("Avid"), a bio-manufacturing company engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-service basis (collectively, the "Company"). All intercompany balances and transactions have been eliminated.

In addition, the accompanying interim condensed consolidated financial statements are unaudited; however they contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the condensed consolidated financial position of the Company at October 31, 2008, and the condensed consolidated results of our operations and our condensed consolidated cash flows for the three and six month periods ended October 31, 2008 and 2007. We prepared the condensed consolidated financial statements following the requirements of the Securities and Exchange Commission (or SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (or GAAP) can be condensed or omitted. Although we believe that the disclosures in the financial statements are adequate to make the information presented herein not misleading, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended April 30, 2008. Results of operations for interim periods covered by this quarterly report on Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year.

Going Concern – Our interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should it be determined that we are unable to continue as a going concern.

At October 31, 2008, we had $8,210,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations.

We will need to raise additional capital through one or more methods, including equity or debt financings, in order to support the costs of our clinical and pre-clinical programs.

As of October 31, 2008, we had an aggregate of 5,030,634 shares available under our existing effective Form S-3 registration statements for possible future registered transactions. In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

On December 9, 2008, we entered into a loan and security agreement pursuant to which we may borrow up to $10,000,000 ("Loan Agreement") with an initial funding of $5,000,000 expected to occur upon the satisfaction of certain closing conditions. The loan is payable over a thirty six (36) month term and is secured by all assets of the Company as further explained in Note 9.

We may also raise additional capital though negotiating licensing or collaboration agreements for our technology platforms. In addition, Avid represents an additional asset in our portfolio and we continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

Although we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to our subsidiary, Avid, to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed contracts with existing customers of Avid, combined with the projected revenues from our government contract and net proceeds to be received under our Loan Agreement (see Note 9), we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the first quarter of our fiscal year 2010 ending July 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason, we would be required to set aside cash and cash equivalents in an amount equal to 80% of the outstanding loan balance in a restricted collateral account non-assessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the first quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition – We currently derive revenues primarily from contract manufacturing services provided by Avid and from services performed under a government contract awarded to Peregrine through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA) that was signed on June 30, 2008.

We recognize revenues pursuant to the SEC's Staff Accounting Bulletin No. 104 ("SAB No. 104"), *Revenue Recognition*. In accordance with SAB No. 104, revenue is generally realized or realizable and earned when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectibility is reasonably assured.

In addition, we comply with Emerging Issues Task Force ("EITF") Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, EITF No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and Accounting Research Bulletin No. 43 Chapter 11, *Government Contracts*.

Revenues associated with contract manufacturing services provided by Avid are generally recognized once the service has been provided and/or upon shipment of the product to the customer. We also record a provision for estimated contract losses, if any, in the period during which they are determined.

Our contract with the DTRA is a "cost-plus-fixed-fee" contract. Reimbursable costs under the contract primarily include direct labor, subcontract costs, materials, equipment, travel, indirect costs, and a fixed fee for our efforts. Revenue under this "cost-plus-fixed-fee" contract is recognized as we perform the underlying research and development activities. However, progress payments associated with contract manufacturing services performed under the DTRA contract are classified as Deferred Government Contract Revenue and are recognized as revenue upon delivery or transfer of legal title of the product to the DTRA.

Allowance for Doubtful Accounts – We continually monitor our allowance for doubtful accounts for all receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables and we estimate an allowance for doubtful accounts based on these factors at that point in time. As of October 31, 2008, based on our analysis of our accounts receivable balances and based on historical collectibility of receivables from our current customers, we determined no allowance for doubtful accounts was necessary.

Inventories – Inventories are stated at the lower of cost or market and primarily include raw materials, direct labor and overhead costs associated with our wholly owned subsidiary, Avid. Inventories consist of the following at October 31, 2008 and April 30, 2008:

	October 31, 2008	April 30, 2008
Raw materials	$ 1,474,000	$ 1,115,000
Work-in-process	5,226,000	1,785,000
Total inventories, net	$ 6,700,000	$ 2,900,000

Comprehensive Loss – Comprehensive loss is equal to net loss for all periods presented.

Reclassification – Certain amounts in the fiscal year 2008 condensed consolidated financial statements have been reclassified to conform to the current year presentation.

Customer Deposits – Customer deposits primarily represent advance billings and/or advance payments received from customers prior to the initiation of contract manufacturing services.

Basic and Dilutive Net Loss Per Common Share – Basic and dilutive net loss per common share are calculated in accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*. Basic net loss per common share is computed by dividing our net loss by the weighted average number of common shares outstanding during the period excluding the dilutive effects of options and warrants (fiscal year 2008 only). Diluted net loss per common share is computed by dividing the net loss by the sum of the weighted average number of common shares outstanding during the period plus the potential dilutive effects of options and warrants (fiscal year 2008 only) outstanding during the period calculated in accordance with the treasury stock method, but are excluded if their effect is anti-dilutive. Because the impact of options and warrants are anti-dilutive during periods of net loss, there was no difference between basic and diluted loss per share amounts for the three and six months ended October 31, 2008 and 2007.

The calculation of weighted average diluted shares outstanding excludes the dilutive effect of options and warrants (fiscal year 2008 only) to purchase up to 1,000 and 93,000 shares of common stock for the three and six months ended October 31, 2008, respectively, and 586,110 and 740,421 shares of common stock for the three and six months ended October 31, 2007, respectively, since the impact of such options and warrants are anti-dilutive during periods of net loss.

The calculation of weighted average diluted shares outstanding also excludes weighted average outstanding options and warrants (fiscal year 2008 only) to purchase up to 14,232,000 and 13,257,000 shares of common stock for the three and six months ended October 31, 2008, respectively, and 10,601,888 and 10,428,091 shares of common stock for the three and six months ended October 31, 2007, respectively, as the exercise prices of those options were greater than the average market price of our common stock during the respective periods, resulting in an anti-dilutive effect.

Recent Accounting Pronouncements - In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 establishes a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy defines the three levels of inputs to measure fair value, as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as assets or liabilities whose value are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and significant to the overall fair value measurement.

We adopted SFAS No. 157 on May 1, 2008, which did not have a material impact on our consolidated financial statements as we currently do not have any Level 2 or Level 3 financial assets or liabilities and cash and cash equivalents are carried at fair value based on quoted market prices for identical securities (Level 1 input).

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value method is selected, a business entity shall report unrealized gains and losses on elected items in earnings at each subsequent reporting date. The standard also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. We adopted SFAS No. 159 on May 1, 2008, which did not have a material impact on our consolidated financial statements as the fair value option was not elected for any of our financial assets or financial liabilities.

In June 2007, the FASB ratified EITF Issue No. 07-3 ("EITF No. 07-3"), *Accounting for Non-Refundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, which requires nonrefundable advance payments for goods and services that will be used or rendered for future research and development activities be deferred and capitalized. These amounts will be recognized as expense in the period that the related goods are delivered or the related services are performed. We adopted the provisions of EITF No. 07-3 on May 1, 2008, which did not have a material impact on our consolidated financial statements.

In November 2007, the FASB ratified EITF Issue 07-01 ("EITF No. 07-01"), *Accounting for Collaborative Arrangements*, which defines collaborative arrangements and requires that revenues and costs incurred with third parties that do not participate in the collaborative arrangements be reported in the statement of operations gross or net pursuant to the guidance in EITF No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*. Classification of payments made between participants of a collaborative arrangement are to be based on other applicable authoritative accounting literature or, in the absence of other applicable authoritative accounting literature, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. EITF No. 07-01 will be effective for fiscal years beginning after December 15, 2008, which we would be required to implement no later than May 1, 2009, and applied as a change in accounting principal to all prior periods retrospectively for all collaborative arrangements existing as of the effective date. We have not yet evaluated the potential impact of adopting EITF No. 07-01 on our consolidated financial statements.

3. SHARE-BASED COMPENSATION

We account for stock options granted under our equity compensation plans in accordance with Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"), *Share-Based Payment (Revised 2004*). SFAS No. 123R requires the recognition of compensation expense, using a fair value based method, for costs related to all share-based payments including grants of employee stock options. In addition, SFAS No. 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service periods (typically 2 to 4 years).

The fair value of each option grant is estimated using the Black-Scholes option valuation model. The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs including estimated stock price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors. In addition, SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Total share-based compensation expense related to employee stock option grants for the three and six-month periods ended October 31, 2008 and 2007 are included in the accompanying condensed consolidated statements of operations as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2008	**2007**	**2008**	**2007**
Research and development	$ 123,000	$ 140,000	$ 264,000	$ 269,000
Selling, general and administrative	98,000	58,000	223,000	112,000
Total	$ 221,000	$ 198,000	$ 487,000	$ 381,000

As of October 31, 2008, the total estimated unrecognized compensation cost related to non-vested stock options was $1,504,000. This cost is expected to be recognized over a weighted average vesting period of 2.09 years based on current assumptions.

Periodically, we grant stock options to non-employee consultants. The fair value of options granted to non-employees are measured utilizing the Black-Scholes option valuation model and are amortized over the estimated period of service or related vesting period in accordance with EITF 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. Share-based compensation expense recorded during the three and six months ended October 31, 2008 associated with non-employees amounted to $1,000 and $6,000, respectively. Share-based compensation expense recorded during the three and six months ended October 31, 2007 associated with non-employees amounted to nil and $14,000, respectively.

4. GOVERNMENT CONTRACT

On June 30, 2008, we were awarded a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA). This federal contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $14.3 million having been appropriated through the current federal fiscal year ending September 30, 2009. The remainder of the $22.3 million in funding is expected to be appropriated over the remainder of the two-year base period ending June 29, 2010. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended beyond the base period to cover up to $44.4 million in funding over the five-year contract period through three one-year option terms. Work under this contract commenced on June 30, 2008 and direct costs associated with the contract are included in research and development expense in the accompanying condensed consolidated statements of operations.

5. STOCKHOLDERS' EQUITY

On June 28, 2007, we entered into a Securities Purchase Agreement with several institutional investors whereby we sold 30,000,000 shares of our common stock in exchange for gross proceeds of $22,500,000. After deducting placement agent fees, legal fees and other costs associated with the offering, we received net proceeds of $20,859,000. The shares of common stock were issued from our shelf registration statement on Form S-3, File Number 333-139975 ("January 2007 Shelf"), which allows us to issue, in one or more offerings, shares of common stock for proceeds up to $30,000,000. As of October 31, 2008, we could raise up to $7,500,000 in remaining gross proceeds under the January 2007 Shelf.

In addition, as of October 31, 2008, an aggregate of 5,030,634 shares of common stock were available for issuance under two separate effective shelf registration statements.

As of October 31, 2008, we have reserved 20,565,479 additional shares of our common stock which may be issued under our shelf registration statements and stock option plans, excluding shares of common stock that could potentially be issued under the January 2007 Shelf, as further described in the following table:

	Number of Shares Reserved
Shares of common stock reserved for issuance under two registration statements	5,030,634
Shares of common stock reserved for issuance upon exercise of outstanding options	14,266,019
Shares of common stock reserved for future option grants under our Option Plans	1,268,826
Total shares of common stock reserved for issuance	20,565,479

6. WARRANTS

During the six months ended October 31, 2008, we had no outstanding warrants. During the six months ended October 31, 2007, warrants to purchase 53,416 shares of our common stock were exercised for net proceeds of $46,000.

7. SEGMENT REPORTING

Our business is organized into two reportable operating segments. Peregrine is engaged in the research and development of monoclonal antibody-based therapies for the treatment of cancer and serious viral infections. Avid is engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-service basis.

The accounting policies of the operating segments are the same as those described in Note 2. We primarily evaluate the performance of our contract manufacturing services segment based on gross profit or loss. However, our products in research and development segment are not evaluated based on gross profit or loss, but rather based on scientific progress of the technologies. As such, gross profit is only provided for our contract manufacturing services segment in the below table. All revenues shown below are derived from transactions with external customers.

Segment information for the three-month periods is summarized as follows:

	Three Months Ended October 31,	
	2008	**2007**
Contract manufacturing services revenue	$ 983,000	$ 1,863,000
Cost of contract manufacturing services	663,000	1,402,000
Gross profit	320,000	461,000
Revenues from products in research and development	958,000	29,000
Research and development expense	(4,301,000)	(5,100,000)
Selling, general and administrative expense	(1,527,000)	(1,943,000)
Other income, net	53,000	346,000
Net loss	$ (4,497,000)	$ (6,207,000)

Revenues generated from our contract manufacturing services segment were from the following customers:

	Three Months Ended October 31,	
	2008	**2007**
Customer revenues as a % of revenues:		
United States (one customer)	95%	89%
Other customers	5%	11%
Total customer revenues as a % of revenues	100%	100%

Segment information for the six-month periods is summarized as follows:

	Six Months Ended October 31,	
	2008	**2007**
Contract manufacturing services revenue	$ 2,176,000	$ 3,484,000
Cost of contract manufacturing services	1,566,000	2,583,000
Gross profit	610,000	901,000
Revenues from products in research and development	1,282,000	33,000
Research and development expense	(8,369,000)	(8,724,000)
Selling, general and administrative expense	(3,233,000)	(3,651,000)
Other income, net	127,000	578,000
Net loss	$ (9,583,000)	$ (10,863,000)

Revenues generated from our contract manufacturing services segment were from the following customers:

	Six Months Ended October 31,	
	2008	**2007**
Customer revenues as a % of revenues:		
United States (one customer)	89%	84%
Other customers	11%	16%
Total customer revenues as a % of revenues	100%	100%

Revenues generated from our products in our research and development segment during the three and six months ended October 31, 2008 were from revenues earned under the government contract with the DTRA (Note 4). Revenues generated from our products in our research and development segment during the three and six months ended October 31, 2007 were from an annual license fee and the amortized portion of an up-front license fee received under a license agreement.

Our long-lived assets consist of leasehold improvements, laboratory equipment, and furniture, fixtures and computer equipment and are net of accumulated depreciation. Long-lived assets by segment consist of the following:

	October 31, 2008	**April 30, 2008**
Long-lived Assets, net:		
Contract manufacturing services	$ 1,724,000	$ 1,825,000
Products in research and development	186,000	233,000
Total long-lived assets, net	$ 1,910,000	$ 2,058,000

8. LITIGATION

In the ordinary course of business, we are at times subject to various legal proceedings and disputes. Although we currently are not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, operating results or cash flows, however, we did file or are involved with the following lawsuits:

On January 12, 2007, we filed a complaint in the Superior Court of the State of California for the County of Orange against Cancer Therapeutics Laboratories (“CTL”). The original complaint has been amended three times based on the ongoing discovery to include claims against Shanghai MediPharm and its related entities, and Alan Epstein, MD. The lawsuit alleges claims for breach of contract, interference with contractual relations, declaratory relief, and injunctive relief against the defendants. Peregrine's claims stem from a 1995 license agreement with CTL, and two amendments thereto (collectively referred to as the "License Agreement"). Peregrine claims that CTL breached the License Agreement by, among other things, (i) not sharing with Peregrine all inventions, technology, know-how, patents and other information, derived and/or developed in the People’s Republic of China and/or at the CTL laboratory, as was required under the License Agreement; (ii) not splitting revenue appropriately with Peregrine as required under the License Agreement; (iii) utilizing Peregrine's licensed technologies outside of the People’s Republic of China; and (iv) failing to enter a sublicense agreement with a Chinese sponsor obligating the Chinese sponsor to comply with the terms and obligations in the License Agreement. Peregrine further alleges that Medibiotech and Shanghai Medipharm Biotech Co., Ltd. ("Medipharm Entities") interfered with the License Agreement, leading to CTL's breaches. This interference by the Medipharm Entities includes: 1) posturing Shanghai Medipharm as the designated sublicensee under the License Agreement, without binding any of the Medipharm Entities to the terms and obligations of an appropriate sublicense agreement called for under the License Agreement; 2) entering into a license agreement with defendant Epstein ("Epstein License Agreement") instead of CTL; 3) restricting the information CTL was allowed to provide to Peregrine, thereby prohibiting CTL from providing to Peregrine all information required under the License Agreement; and 4) providing compensation to CTL, and its principals, so that CTL would enter agreements that prohibited CTL from performing under the License Agreement. These same monetary inducements also interfered with the 1999 Material Transfer Agreement between Peregrine and Dr. Epstein ("MTA"), and caused Dr. Epstein to breach the MTA. Dr. Epstein has attempted to have our claims against him referred to binding arbitration. The Superior Court has declined his request.

On March 28, 2007, CTL filed a cross-complaint, which it amended on May 30, 2007, alleging that the Company breached the Agreement, improperly terminated the Agreement, is interfering with CTL’s agreements with various MediPharm entities and is double-licensing the technology licensed to CTL to another party. CTL’s cross-complaint, which seeks $20 million in damages, is in part predicated on the existence of a sublicense agreement between CTL and MediPharm. We are challenging the cross-complaint on the basis that not only did CTL fail to allege an agreement with which the Company interfered, they have been unable to produce the alleged sublicense agreement with MediPharm despite our repeated demands.

On February 22, 2008, the MediPharm entities filed a cross-complaint alleging, as a third party beneficiary, that the Company breached the Agreement by double-licensing the technology licensed to CTL to another party, intentionally interfered with a prospective economic advantage, and unjust enrichment. MediPharm’s cross-complaint, which seeks $30 million in damages, is in part predicated on MediPharm being the “Chinese Sponsor” under the Agreement. We intend to bring pre-trial motions to dispose of the MediPharm Cross-Complaint.

The discovery phase on the aforementioned cases is still ongoing. Until we complete the discovery phase and our objections are considered, we cannot estimate the magnitude of the claims of the parties against each other or probable outcome of the litigation.

9. SUBSEQUENT EVENT

On December 9, 2008, we entered into a loan and security agreement pursuant to which we may borrow up to $10,000,000 ("Loan Agreement") with MidCap Financial LLC and BlueCrest Capital Finance, L.P. Under the terms of the Loan Agreement, $5,000,000 in funding is expected to be received upon the satisfaction of certain closing conditions to occur no later than December 19, 2008. The Loan Agreement includes an option, which expires June 30, 2009, to receive a second tranche in the amount of $5,000,000 upon the satisfaction of certain additional conditions as defined in the Loan Agreement. The Loan Agreement is secured by all assets of the Company, bears interest at the thirty day LIBOR (with a 3% floor) plus 9% per annum and is payable over a thirty six (36) month term. Interest only payments are due monthly for the first six (6) months under the Loan Agreement and principal and interest payments are due over the remaining thirty (30) months. The Loan Agreement contains customary covenants that, among other things, generally restricts our ability to incur additional indebtedness. In addition, the Loan Agreement contains a covenant, whereby if our contract with the Defense Threat Reduction Agency is terminated while the loan is outstanding, we would be required to set aside cash and cash equivalents in an amount equal to at least 80% of the outstanding loan balance in a secured account over which we will not be permitted to make withdrawals or otherwise exercise control. The terms of the Loan Agreement also include a provision for warrant coverage equal to 10% of each tranche amount divided by the warrant exercise price. The warrant exercise price is calculated based on the average closing price of our common stock for the 20-day period prior to closing. The warrants are exercisable immediately, include piggy-back registration rights, and have a five-year term.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains "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, which represent our projections, estimates, expectations or beliefs concerning among other things, financial items that relate to management's future plans or objectives or to our future economic and financial performance. In some cases, you can identify these statements by terminology such as "may", "should", "plans", "believe", "will", "anticipate", "estimate", "expect" "project", or "intend", including their opposites or similar phrases or expressions. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company will be achieved. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Quarterly Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we file from time to time with the Securities and Exchange Commission ("SEC") after the date of this Quarterly Report. Actual results may differ materially from any forward looking statement.

Company Overview

We are a clinical stage biopharmaceutical company developing monoclonal antibodies for the treatment of cancer and hepatitis C virus ("HCV") infection. We are advancing three separate clinical programs with our first-in-class compounds bavituximab and Cotara® that employ our two platform technologies: Anti-Phosphatidylserine ("Anti-PS") therapeutics and Tumor Necrosis Therapy ("TNT"). Our lead Anti-PS product, bavituximab, is being evaluated under two separate clinical programs for the treatment of solid cancers and hepatitis C virus ("HCV") infection. Under our TNT technology platform, our lead candidate Cotara®, is advancing through two clinical studies for the treatment of patients with brain cancer.

We are organized into two reportable operating segments: (i) Peregrine, the parent company, is engaged in the research and development of monoclonal antibody products for the treatment of cancer and serious viral infections and (ii) Avid Bioservices, Inc., ("Avid") a wholly owned subsidiary, is engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-service basis.

Going Concern

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should it be determined that we are unable to continue as a going concern.

At October 31, 2008, we had $8,210,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of our wholly owned subsidiary, Avid Bioservices, Inc. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations. As discussed in Note 1 to the condensed consolidated financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

We will need to raise additional capital through one or more methods, including equity or debt financings, in order to support the costs of our clinical and pre-clinical programs through one or more methods including either equity or debt financing.

As of October 31, 2008, we had an aggregate of 5,030,634 shares available under our existing effective Form S-3 registration statements for possible future registered transactions. In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

On December 9, 2008, we entered into a loan and security agreement pursuant to which we may borrow up to $10,000,000 (“Loan Agreement”) with an initial funding of $5,000,000 expected to occur upon the satisfaction of certain closing conditions. The loan is payable over a thirty six (36) month term and is secured by all assets of the Company as further explained in Note 9, “Subsequent Event” to the accompanying condensed consolidated financial statements.

We may also raise additional capital though negotiating licensing or collaboration agreements for our technology platforms. In addition, our wholly owned subsidiary Avid Bioservices, Inc. represents an additional asset in our portfolio and we continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

Although we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to our subsidiary, Avid Bioservices, Inc. to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed contracts with existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract and net proceeds to be received under our Loan Agreement, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the first fiscal quarter of our fiscal year 2010 ending July 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason we would be required to set aside cash and cash equivalents in an amount equal to 80% of the loan balance in a restricted collateral account non-assessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the first quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Clinical Trial Programs

The following represents a summary of our ongoing clinical trial programs:

Product	Indication	Trial Design	Trial Status
Bavituximab	Solid tumor cancers	Phase I monotherapy repeat dose safety study designed to treat up to 28 patients.	Patient enrollment is continuing in this study.
Bavituximab plus docetaxel	Advanced breast cancer	Phase II study designed to treat up to 15 patients initially. Study has been expanded to treat up to a total of 46 patients because six or more objective tumor responses were observed in the initial 15 patients.	Patient enrollment for the first 15 patients is complete with ten of fourteen evaluable patients achieving an objective tumor response. The second stage of the study to enroll up to 31 more patients was initiated in October 2008 and enrollment is continuing.
Bavituximab plus carboplatin and paclitaxel	Advanced breast cancer	Phase II study designed to treat up to 15 patients initially. Study may be expanded to treat up to a total of 46 patients if promising results are observed in the initial 15 patients.	Completion of patient enrollment for the first 15 patients was announced in October 2008. Clinical data is continuing to be collected on the initial 15 patients.
Bavituximab plus carboplatin and paclitaxel	Non-small cell lung cancer (NSCLC)	Phase II study designed to treat 21 patients initially. Study may be expanded to treat up to a total of 49 patients if promising results are observed in the initial 21 patients.	Completion of patient enrollment for the first 21 patients was announced in October 2008. Clinical data is continuing to be collected on the initial 21 patients.
Cotara	Glioblastoma multiforme (GBM)	Dosimetry and dose confirmation study designed to treat up to 12 patients with recurrent GBM.	Patient enrollment is continuing in this study.
Cotara	Glioblastoma multiforme (GBM)	Phase II safety and efficacy study to treat up to 40 patients at first relapse.	Patient enrollment is continuing in this study.
Bavituximab	Chronic hepatitis C virus (“HCV”) infection co-infected with HIV	Phase Ib repeat dose safety study designed to treat up to 24 patients.	Patient enrollment is continuing in this study.

Results of Operations

The following table compares the unaudited condensed consolidated statements of operations for the three and six-month periods ended October 31, 2008 and 2007. This table provides you with an overview of the changes in the condensed consolidated statements of operations for the comparative periods, which are further discussed below.

	Three Months Ended October 31,			Six Months Ended October 31,		
	2008	2007	$ Change	2008	2007	$ Change
REVENUES:						
Contract manufacturing revenue	$ 983,000	$ 1,863,000	$ (880,000)	$ 2,176,000	$ 3,484,000	$ (1,308,000)
Government contract revenue	958,000	-	958,000	1,282,000	-	1,282,000
License revenue	-	29,000	(29,000)	-	33,000	(33,000)
Total revenues	1,941,000	1,892,000	49,000	3,458,000	3,517,000	(59,000)
COST AND EXPENSES:						
Cost of contract manufacturing	663,000	1,402,000	(739,000)	1,566,000	2,583,000	(1,017,000)
Research and development	4,301,000	5,100,000	(799,000)	8,369,000	8,724,000	(355,000)
Selling, general and administrative	1,527,000	1,943,000	(416,000)	3,233,000	3,651,000	(418,000)
Total cost and expenses	6,491,0000	8,445,000	(1,954,000)	13,168,000	14,958,000	(1,790,000)
LOSS FROM OPERATIONS	(4,550,000)	(6,553,000)	2,003,000	(9,710,000)	(11,441,000)	1,731,000
OTHER INCOME (EXPENSE):						
Interest and other income	53,000	353,000	(300,000)	128,000	592,000	(464,000)
Interest and other expense	-	(7,000)	7,000	(1,000)	(14,000)	13,000
NET LOSS	$ (4,497,000)	$ (6,207,000)	$ 1,710,000	$ (9,583,000)	$ (10,863,000)	$ 1,280,000

Results of operations for interim periods covered by this quarterly report on Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year.

Contract Manufacturing Revenue.

Three and six months: The decreases in contract manufacturing revenue of $880,000 and $1,308,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year were primarily due to decreases in services provided to unrelated entities on a fee-for-service basis including a decrease in the number of completed manufacturing runs compared to the same three and six-month periods in the prior year.

We expect to continue to generate contract manufacturing revenue during the remainder of the current fiscal year based on the anticipated completion of in-process customer related projects and the anticipated demand for Avid's services under signed and outstanding proposals.

Government Contract Revenue.

Three and six months: The increases in government contract manufacturing revenue of $958,000 and $1,282,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year is related to research and development services performed under our government contract with the Defense Threat Reduction Agency (DTRA), a division of the Department of Defense, which commenced during the current fiscal year.

We expect to continue to generate government contract revenue associated with our contract with the DTRA, which was awarded to us on June 30, 2008 and is a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA). This contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $14.3 million having been appropriated through the current federal fiscal year ending September 30, 2009. The remainder of the $22.3 million in funding is expected to be appropriated over the remainder of the two-year base period ending June 29, 2010. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended beyond the base period to cover up to $44.4 million in funding over the five-year contract period through three one-year option terms.

Cost of Contract Manufacturing.

Three and Six Months: The decreases in cost of contract manufacturing of $739,000 and $1,017,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year are primarily related to the current year three and six-month decreases in contract manufacturing revenue. We expect to continue to incur contract manufacturing costs during the remainder of the current fiscal year based on the anticipated completion of customer projects under our current contract manufacturing agreements.

Research and Development Expenses.

Three and Six Months: The decreases in research and development ("R&D") expenses of $799,000 and $355,000 during the three and six months ended October 31, 2008 compared to the same periods in the prior year were primarily due to the following changes associated with each of our following platform technologies under development:

Technology Platform	*R&D Expenses – Three Months Ended October 31,*			*R&D Expenses – Six Months Ended October 31,*		
	2008	2007	$ Change	2008	2007	$ Change
Anti-PS Immunotherapeutics (bavituximab)	$ 3,292,000	$ 2,920,000	$ 372,000	$ 6,101,000	$ 5,214,000	$ 887,000
TNT (Cotara®)	959,000	969,000	(10,000)	2,114,000	1,678,000	436,000
VTA and Anti-Angiogenesis Agents	46,000	1,035,000	(989,000)	138,000	1,499,000	(1,361,000)
VEA	4,000	176,000	(172,000)	16,000	333,000	(317,000)
Total R&D Expenses	$ 4,301,000	$ 5,100,000	$ (799,000)	$ 8,369,000	$ 8,724,000	$ (355,000)

- *Anti-Phosphatidylserine ("Anti-PS") Immunotherapeutics (bavituximab)* – The increase in Anti-PS Immunotherapeutics program expenses of $372,000 and $887,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year is primarily due to an increase in clinical trial expenses to support the advancement of four clinical trials using bavituximab for the treatment of solid tumors and one clinical trial for the treatment of HCV patients co-infected with HIV. In addition, the increase in Anti-PS Immunotherapeutics program expenses was further supplemented with an increase in R&D expenses directly associated with increased efforts to advance the development of bavituximab and a fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections under our federal contract with the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA), which was awarded to us on June 30, 2008.

- *Tumor Necrosis Therapy ("TNT") (Cotara®)* – TNT program expenses for the three months ended October 31, 2008 remained in line with the same period in the prior year decreasing slightly by $10,000. TNT program expenses for the six months ended October 31, 2008 increased $436,000 compared to the same period in the prior year primarily due to increases in clinical trial and payroll expenses to support the continued advancement of our two ongoing Cotara® clinical trials for the treatment of brain cancer.

- *Vascular Targeting Agents ("VTAs") and Anti-Angiogenesis Agents* – The decrease in VTA and Anti-Angiogenesis Agents program expenses of $989,000 and $1,361,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year is primarily due to our efforts to significantly curtail our development expenses associated with this program while focusing our efforts on seeking partners to further advance these technologies.

- *Vasopermeation Enhancement Agents ("VEAs")* – The decrease in VEA program expenses of $172,000 and $317,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year is primarily due to our efforts to significantly curtail our development expenses associated with this program while focusing our efforts on seeking partners to further advance this technology.

Looking beyond the current fiscal year, it is extremely difficult for us to reasonably estimate all future research and development costs associated with each of our technologies due to the number of unknowns and uncertainties associated with pre-clinical and clinical trial development. These unknown variables and uncertainties include, but are not limited to:

- the uncertainty of future clinical trial results;
- the uncertainty of the ultimate number of patients to be treated in any current or future clinical trial;
- the uncertainty of the U.S. Food and Drug Administration allowing our studies to move forward from Phase I clinical studies to Phase II and Phase III clinical studies;
- the uncertainty of the rate at which patients are enrolled into any current or future study. Any delays in clinical trials could significantly increase the cost of the study and would extend the estimated completion dates;
- the uncertainty of terms related to potential future partnering or licensing arrangements;
- the uncertainty of protocol changes and modifications in the design of our clinical trial studies, which may increase or decrease our future costs; and
- The uncertainty of our ability to raise additional capital to support our future research and development efforts beyond the first quarter of our fiscal year 2010 ending July 31, 2009.

We or our potential partners will need to do additional development and clinical testing prior to seeking any regulatory approval for commercialization of our product candidates as all of our products are in discovery, pre-clinical or clinical development. Testing, manufacturing, commercialization, advertising, promotion, exporting, and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. The testing and approval process requires substantial time, effort, and financial resources, and we cannot guarantee that any approval will be granted on a timely basis, if at all. Companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in conducting advanced human clinical trials, even after obtaining promising results in earlier trials. Furthermore, the United States Food and Drug Administration may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Even if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Accordingly, we or our potential partners may experience difficulties and delays in obtaining necessary governmental clearances and approvals to market our products.

Selling, General and Administrative Expenses.

Selling, general and administrative expenses consist primarily of payroll and related expenses, director fees, legal and accounting fees, share-based compensation expense, investor and public relation fees, insurance, and other expenses relating to the general management, administration, and business development activities of the Company.

Three and Six Months: The decreases in selling, general and administrative expenses of $416,000 and $418,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year are primarily due to decreases in travel and related expenses, corporate legal fees and payroll and related expenses. Travel and related expenses decreased $117,000 and $188,000 during the current year three and six-month periods, respectively, primarily due to a decrease in business development efforts in the U.S. and abroad and decreased participation in corporate and investor relation activities compared to the prior year in an effort to curtail corporate and business development related expenditures. Corporate legal fees decreased $75,000 and $170,000 during the current year three and six-month periods, respectively, primarily due to a decrease in legal fees associated with the lawsuit described in this Quarterly Report on Form 10-Q under Part II, Item 1, “Legal Proceedings”, combined with a decrease in legal fees associated with general corporate matters. Payroll and related expenses decreased $142,000 and $52,000 during the current year three and six-month periods, respectively, primarily due to a decrease in compensation expenses and recruiting fees. In addition, we incurred incremental decreases in other general corporate related expenses primarily associated with facility related expenses and public relation fees. These decreases in selling, general and administrative expenses were offset with increases in non-cash stock based compensation expenses of $40,000 and $111,000 during the three and six-month periods, respectively, associated with the amortization of the fair value of options granted to employees.

Interest and Other Income.

Three and Six Months: The decreases in interest and other income of $300,000 and $464,000 during the three and six months ended October 31, 2008, respectively, compared to the same periods in the prior year was primarily due to decreases in interest income as a result of a lower average cash balance on hand combined with lower prevailing interest rates during the current year compared to the prior year.

Critical Accounting Policies

The methods, estimates, and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our condensed consolidated financial statements. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies are the most critical to us, in that they are important to the portrayal of our financial statements and they require our most difficult, subjective or complex judgments in the preparation of our condensed consolidated financial statements:

Revenue Recognition

We recognize revenues pursuant to the SEC's Staff Accounting Bulletin No. 104 ("SAB No. 104"), *Revenue Recognition*. In accordance with SAB No. 104, revenue is generally realized or realizable and earned when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectibility is reasonably assured.

We also comply with Financial Accounting Standards Board's Emerging Issues Task Force No. 00-21 ("EITF 00-21"), *Revenue Arrangements with Multiple Deliverables*. In accordance with EITF 00-21, we recognize revenue for delivered elements only when the delivered element has stand-alone value and we have objective and reliable evidence of fair value for each undelivered element. If the fair value of any undelivered element included in a multiple element arrangement cannot be objectively determined, revenue is deferred until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

In July 2000, the Emerging Issues Task Force ("EITF") released Issue 99-19 ("EITF 99-19"), *Reporting Revenue Gross as a Principal versus Net as an Agent*. EITF 99-19 summarized the EITF's views on when revenue should be recorded at the gross amount billed to a customer because it has earned revenue from the sale of goods or services, or the net amount retained (the amount billed to the customer less the amount paid to a supplier) because it has earned a fee or commission. In addition, the EITF released Issue 00-10 ("EITF 00-10"), *Accounting for Shipping and Handling Fees and Costs, and Issue 01-14* ("EITF 01-14"), *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred*. EITF 00-10 summarized the EITF's views on how the seller of goods should classify in the income statement amounts billed to a customer for shipping and handling and the costs associated with shipping and handling. EITF 01-14 summarized the EITF's views on when the reimbursement of out-of-pocket expenses should be characterized as revenue or as a reduction of expenses incurred. Our revenue recognition policies are in compliance with EITF 99-19, EITF 00-10 and EITF 01-14 whereby we record revenue for the gross amount billed to customers (the cost of raw materials, supplies, and shipping, plus the related handling mark-up fee) and we record the cost of the amounts billed as cost of sales as we act as a principal in these transactions.

Revenues associated with contract manufacturing services provided by Avid are generally recognized once the service has been provided and/or upon shipment of the product to the customer. We also record a provision for estimated contract losses, if any, in the period in which they are determined.

Revenues associated with licensing agreements primarily consist of nonrefundable up-front license fees and milestone payments. Revenues under licensing agreements are recognized based on the performance requirements of the agreement. Nonrefundable up-front license fees received under license agreements, whereby continued performance or future obligations are considered inconsequential to the relevant licensed technology, are generally recognized as revenue upon delivery of the technology. Nonrefundable up-front license fees, whereby we have an ongoing involvement or performance obligations, are recorded as deferred revenue and recognized as revenue over the term of the performance obligation or relevant agreement. Milestone payments are generally recognized as revenue upon completion of the milestone assuming there are no other continuing obligations. Under some license agreements, the obligation period may not be contractually defined. Under these circumstances, we must exercise judgment in estimating the period of time over which certain deliverables will be provided to enable the licensee to practice the license.

Revenues associated with our government contract are recognized in accordance with Accounting Research Bulletin No. 43 Chapter 11, *Government Contracts*. Our government contract with the Defense Threat Reduction Agency (DTRA), a division of the Department of Defense, is a "cost-plus-fixed-fee" contract. Reimbursable costs under the contract primarily include direct labor, subcontract costs, materials, equipment, travel, indirect costs, and a fixed fee for our efforts. Revenue under this "cost-plus-fixed-fee" contract is recognized as we perform the underlying research and development activities. However, progress payments associated with contract manufacturing services performed under the DTRA contract are classified as Deferred Government Contract Revenue and are recognized as revenue upon delivery or transfer of legal title of the product to the DTRA.

Share-based Compensation Expense

We currently maintain four equity compensation plans which provide for the granting of options to our employees to purchase shares of our common stock at exercise prices not less than the fair market value of our common stock at the date of grant. The granting of options are share-based payments and are subject to the fair value recognition provisions of Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"), *Share-Based Payment (Revised 2004)*, which requires the recognition of compensation expense, using a fair value based method, for costs related to all share-based payments including grants of employee stock options.

The fair value of each option grant is estimated using the Black-Scholes option valuation model and are amortized as compensation expense on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period (typically 2 to 4 years). Use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. Expected volatility is based on daily historical volatility of our stock covering the estimated expected term. The expected term of options granted prior to November 1, 2007 was based on the expected time to exercise using the "simplified" method allowable under the Security and Exchange Commission's Staff Accounting Bulletin No. 107 ("SAB No. 107"). Effective November 1, 2007, the expected term reflects actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options and is applied to all option grants subsequent to October 31, 2007. The risk-free interest rate is based on U.S. Treasury notes with terms within the contractual life of the option at the time of grant. In addition, SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Our loss from operations for the three and six-month periods ended October 31, 2008 included share-based compensation expense of $221,000 and $487,000, respectively. Our loss from operations for the three and six-month periods ended October 31, 2007 included share-based compensation expense of $198,000 and $381,000, respectively. We believe that non-cash share-based compensation expense for the remaining six months of fiscal year 2009 may be up to approximately $375,000 based on actual shares granted and unvested as of October 31, 2008. However, the actual expense may differ materially from this estimate as a result of changes in a number of factors that affect the amount of non-cash compensation expense, including the number of options granted by our Board of Directors during the remainder of the fiscal year, the price of our common stock on the date of grant, the volatility of our stock price, the estimate of the expected life of options granted and the risk-free interest rates.

As of October 31, 2008, the total estimated unrecognized compensation cost related to non-vested stock options was $1,504,000. This cost is expected to be recognized over a weighted average period of 2.09 years.

Allowance for Doubtful Accounts

We continually monitor our allowance for doubtful accounts for all receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables and we estimate an allowance for doubtful accounts based on these factors at that point in time. As of October 31, 2008, based on our analysis of our accounts receivable balances and based on historical collectibility of receivables from our current customers, we determined no allowance for doubtful accounts was necessary.

Liquidity and Capital Resources

At October 31, 2008, we had $8,210,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of our wholly owned subsidiary, Avid Bioservices, Inc. As a result, we have historically experienced negative cash flows from operations since our inception and we expect the negative cash flows from operations to continue for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations. As discussed in Note 1 to the condensed consolidated financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

We will need additional capital to support the costs of our clinical and pre-clinical programs through one or more methods including either equity or debt financing. As of October 31, 2008, we had an aggregate of approximately 5,030,634 shares available under our existing effective Form S-3 registration statements for possible future registered transactions. In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

On December 9, 2008, we entered into a loan and security agreement pursuant to which we may borrow up to $10,000,000 (“Loan Agreement”) with an initial funding of $5,000,000 expected to occur upon the satisfaction of certain closing conditions. The loan is payable over a thirty six (36) month term and is secured by all assets of the Company as further explained in Note 9, “Subsequent Event” to the accompanying condensed consolidated financial statements.

We may also raise additional capital though negotiating licensing or collaboration agreements for our technology platforms. In addition, our wholly owned subsidiary Avid Bioservices, Inc. represents an additional asset in our portfolio and we continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

Although we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to our subsidiary, Avid Bioservices, Inc. to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which includes projected revenues from signed contracts with existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract and net proceeds to be received under our Loan Agreement, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the first quarter of our fiscal year 2010 ending July 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason we would be required to set aside cash and cash equivalents in an amount equal to 80% of the loan balance in a restricted collateral account non-assessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on handIn the event our projected cash-inflows are reduced or delayed, we might not have sufficient capital to operate our business through the first quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Significant components of the changes in cash flows from operating, investing, and financing activities for the six months ended October 31, 2008 compared to the same prior year period are as follows:

Cash Used In Operating Activities. Cash used in operating activities is primarily driven by changes in our net loss. However, cash used in operating activities generally differs from our reported net loss as a result of non-cash operating expenses or differences in the timing of cash flows as reflected in the changes in operating assets and liabilities. During the six months ended October 31, 2008, cash used in operating activities decreased $3,424,000 to $6,752,000 compared to $10,176,000 for the six months ended October 31, 2007. This decrease in net cash used in operating activities was primarily due to a net change in operating assets and payment or reduction of liabilities in the aggregate amount of $2,020,000. This amount was supplemented by a decrease of $1,404,000 in our net loss reported in the current six-month period after taking into consideration non-cash operating expenses. The decrease in our current six-month period net loss was primarily due to current period decreases in cost of contract manufacturing, research and development expenses and selling, general and administrative expenses.

The changes in operating activities as a result of non-cash operating expenses or differences in the timing of cash flows as reflected by the changes in operating assets and liabilities are as follows:

	SIX MONTHS ENDED	
	October 31, 2008	October 31, 2007
Net loss, as reported	$ (9,583,000)	$ (10,863,000)
Less non-cash expenses and adjustments to net loss:		
Depreciation and amortization	260,000	234,000
Share-based compensation	493,000	395,000
Net cash used in operating activities before changes in operating assets and liabilities	$ (8,830,000)	$ (10,234,000)
Net change in operating assets and liabilities	$ 2,078,000	$ 58,000
Net cash used in operating activities	$ (6,752,000)	$ (10,176,000)

Cash Used In Investing Activities. Net cash used in investing activities decreased $272,000 to $157,000 for the six months ended October 31, 2008 compared to net cash used of $429,000 for the six months ended October 31, 2007. This decrease was due to a decrease in other assets of $189,000 combined with an $83,000 decrease in property acquisitions. The decrease in other assets of $189,000 was primarily due to prior year progress payments of $305,000 made on certain property related improvements associated with our manufacturing facility offset by the reclassification of a $67,000 security deposit from other long-term assets to other current assets during the prior year six-month period ended October 31, 2007, which prior year amounts were offset by a current year period increase in long-term deposits of $45,000.

Cash (Used In) Provided By Financing Activities. Net cash provided by financing activities decreased $20,688,000 for the six months ended October 31, 2008 compared to the same prior year period. During the six months ended October 31, 2008, we incurred principal payments on capital leases of $11,000 compared to capital lease and notes payable principal payments of $233,000 paid in the same prior year period, or a decrease of $222,000. This amount was offset by cash provided from financing activities in the six months ended October 31, 2007 in the amount of $20,932,000. In the prior year period, we entered into a securities purchase agreement whereby we sold and issued a total of 30,000,000 shares of our common stock in exchange for net proceeds of $20,859,000. This amount was supplemented with net proceeds of $73,000 from the exercise of stock options and warrants.

Commitments

At October 31, 2008, we had no material capital commitments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in United States interest rates would affect the interest earned on our cash and cash equivalents. Based on our overall interest rate exposure at October 31, 2008, a near-term change in interest rates, based on historical movements, would not materially affect the fair value of interest rate sensitive instruments. Our debt instruments, which consist of capital leases, have fixed interest rates and terms and, therefore, a significant change in interest rates would not have a material adverse effect on our financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains 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"), that are designed to ensure that information required to be disclosed in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of October 31, 2008, the end of the period covered by this Quarterly Report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective at the reasonable assurance level as of October 31, 2008.

There were no significant changes in the Company's internal controls over financial reporting, during the quarter ended October 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In the ordinary course of business, we are at times subject to various legal proceedings and disputes. Although we currently are not aware of any such legal proceedings or claim that we believe will have, individually or in the aggregate, a material adverse effect on our business, operating results or cash flows, however, we did file or are involved with the following lawsuits:

On January 12, 2007, we filed a complaint in the Superior Court of the State of California for the County of Orange against Cancer Therapeutics Laboratories ("CTL"). The original complaint has been amended three times based on the ongoing discovery to include claims against Shanghai MediPharm and its related entities, and Alan Epstein, MD. The lawsuit alleges claims for breach of contract, interference with contractual relations, declaratory relief, and injunctive relief against the defendants. Peregrine's claims stem from a 1995 license agreement with CTL, and two amendments thereto (collectively referred to as the "License Agreement"). Peregrine claims that CTL breached the License Agreement by, among other things, (i) not sharing with Peregrine all inventions, technology, know-how, patents and other information, derived and/or developed in the People's Republic of China and/or at the CTL laboratory, as was required under the License Agreement; (ii) not splitting revenue appropriately with Peregrine as required under the License Agreement; (iii) utilizing Peregrine's licensed technologies outside of the People's Republic of China; and (iv) failing to enter a sublicense agreement with a Chinese sponsor obligating the Chinese sponsor to comply with the terms and obligations in the License Agreement. Peregrine further alleges that Medibiotech and Shanghai Medipharm Biotech Co., Ltd. ("Medipharm Entities") interfered with the License Agreement, leading to CTL's breaches. This interference by the Medipharm Entities includes: 1) posturing Shanghai Medipharm as the designated sublicensee under the License Agreement, without binding any of the Medipharm Entities to the terms and obligations of an appropriate sublicense agreement called for under the License Agreement; 2) entering into a license agreement with defendant Epstein ("Epstein License Agreement") instead of CTL; 3) restricting the information CTL was allowed to provide to Peregrine, thereby prohibiting CTL from providing to Peregrine all information required under the License Agreement; and 4) providing compensation to CTL, and its principals, so that CTL would enter agreements that prohibited CTL from performing under the License Agreement. These same monetary inducements also interfered with the 1999 Material Transfer Agreement between Peregrine and Dr. Epstein ("MTA"), and caused Dr. Epstein to breach the MTA. Dr. Epstein has attempted to have our claims against him referred to binding arbitration. The Superior Court has declined his request.

On March 28, 2007, CTL filed a cross-complaint, which it amended on May 30, 2007, alleging that the Company breached the Agreement, improperly terminated the Agreement, is interfering with CTL's agreements with various MediPharm entities and is double-licensing the technology licensed to CTL to another party. CTL's cross-complaint, which seeks $20 million in damages, is in part predicated on the existence of a sublicense agreement between CTL and MediPharm. We are challenging the cross-complaint on the basis that not only did CTL fail to allege an agreement with which the Company interfered, they have been unable to produce the alleged sublicense agreement with MediPharm despite our repeated demands.

On February 22, 2008, the MediPharm entities filed a cross-complaint alleging, as a third party beneficiary, that the Company breached the Agreement by double-licensing the technology licensed to CTL to another party, intentionally interfered with a prospective economic advantage, and unjust enrichment. MediPharm's cross-complaint, which seeks $30 million in damages, is in part predicated on MediPharm being the "Chinese Sponsor" under the Agreement. We intend to bring pre-trial motions to dispose of the MediPharm Cross-Complaint.

The discovery phase on the aforementioned cases is still ongoing. Until we complete the discovery phase and our objections are considered, we cannot estimate the magnitude of the claims of the parties against each other or probable outcome of the litigation.

ITEM 1A. RISK FACTORS

The following risk factors below update, and should be considered in addition to, the risk factors previously disclosed by us in Part 1, Item 1A of our Annual Report for the fiscal year ended April 30, 2008.

If We Cannot Obtain Additional Funding, Our Product Development And Commercialization Efforts May Be Reduced Or Discontinued And We May Not Be Able To Continue Operations.

At October 31, 2008, we had $8,210,000 in cash and cash equivalents. We have expended substantial funds on (i) the research, development and clinical trials of our product candidates, and (ii) funding the operations of our wholly owned subsidiary, Avid Bioservices, Inc. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations. As discussed in Note 1 to the condensed consolidated financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

We will need to raise additional capital through one or more methods, including equity or debt financings, in order to support the costs of our clinical and pre-clinical programs.

If we raise additional capital through the issuance of equity securities, such issuances will likely cause dilution to our stockholders, particularly if we are required to do so during periods when our common stock is trading at historically low price levels. As of October 31, 2008, we had an aggregate of approximately 5,030,634 shares available under our existing effective Form S-3 registration statements for possible future registered transactions. In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

If we raise additional capital through the issuance of debt securities, the debt securities may be secured and any interest and principal payments would reduce the amount of cash available to operate and grow our business. On December 9, 2008, we entered into a loan and security agreement pursuant to which we may borrow up to $10,000,000 (“Loan Agreement”) with an initial funding of $5,000,000 expected to occur upon the satisfaction of certain closing conditions. The loan is payable over a thirty six (36) month term and is secured by all assets of the Company as further explained in Note 9, “Subsequent Event” to the accompanying condensed consolidated financial statements.

We may also raise additional capital though negotiating licensing or collaboration agreements for our technology platforms. In addition, our wholly owned subsidiary Avid Bioservices, Inc. represents an additional asset in our portfolio and we continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

Although we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to our subsidiary, Avid Bioservices, Inc. to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which includes projected revenues from signed contracts with existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract and net proceeds to be received under our Loan Agreement, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the first quarter of our fiscal year 2010 ending July 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason we would be required to set aside cash and cash equivalents in an amount equal to 80% of the loan balance in a restricted collateral account non-assessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through at least the first quarter of our fiscal year 2010 unless we raise additional capital.

Our Outstanding Indebtedness To MidCap Financial LLC and BlueCrest Capital Finance, L.P. Imposes Certain Restrictions On How We Conduct Our Business. In Addition, All Of Our Assets, Including Our Intellectual Property, Are Pledged To Secure This Indebtedness. If We Fail To Meet Our Obligations To The Lenders, Our Payment Obligations May Be Accelerated And The Collateral Securing The Debt May Be Sold To Satisfy These Obligations.

Pursuant to a Loan and Security Agreement dated December 9, 2008, MidCap Financial LLC and BlueCrest Capital Finance, L.P. (the "Lenders") have provided us a three-year, $5,000,000 working capital loan, which funding is expected to be received upon the satisfaction of certain additional closing conditions and may be increased to $10,000,000 upon our attainment of certain conditions by June 30, 2009 (the "Loan Agreement"). As collateral to secure our repayment obligations to the Lenders, we and our wholly-owned subsidiary, Avid Bioservices, Inc., have granted the Lenders a first priority security interest in all of our respective assets, including our intellectual property.

The Loan Agreement contains various covenants that restrict our operating flexibility. Pursuant to the Loan Agreement, we may not, among other things:

- incur additional indebtedness, except for certain permitted indebtedness. Permitted indebtedness is defined to include accounts payable incurred in the ordinary course of business, leases of equipment or property incurred in the ordinary course of business not to exceed in the aggregate $100,000 outstanding at any one time;
- incur additional liens on any of our assets except for certain permitted liens including but not limited to non-exclusive licenses of our intellectual property in the ordinary course of business and exclusive licenses of intellectual property provided they are approved by our board of directors and do not involve bavituximab or Cotara;
- Make any payment of subordinated debt, except as permitted under the applicable subordination or intercreditor agreement;
- merge with or acquire any other entity, or sell all or substantially all of our assets, except as permitted under the Loan Agreement;
- pay dividends (other than stock dividends) to our shareholders;
- redeem any outstanding shares of our common stock or any outstanding options or warrants to purchase shares of our common stock except in connection with a share repurchase pursuant to which we offer to pay our then existing shareholders not more than $250,000;
- enter into transactions with affiliates other than on arms-length terms; and
- make any change in any of our business objectives, purposes and operations which has or could be reasonably expected to have a material adverse effect on our business.

These provisions could have important consequences for us, including (i) making it more difficult for us to obtain additional debt financing from another lender, or obtain new debt financing on terms favorable to us, because a new lender will have to be willing to be subordinate to the lenders, (ii) causing us to use a portion of our available cash for debt repayment and service rather than other perceived needs and/or (iii) impacting our ability to take advantage of significant, perceived business opportunities. Our failure to timely repay our obligations under the Loan Agreement or meet the covenants set forth in the Loan Agreement could give rise to a default under the agreement. In the event of an uncured default, the Loan Agreement provides that all amounts owed to the lender may be declared are immediately due and payable and that the Lenders have the right to enforce their security interest in the assets securing the Loan Agreement. In such event, the Lenders could take possession of any or all of our assets in which they hold a security interest, and dispose of those assets to the extent necessary to pay off our debts, which would materially harm our business.

In The Event Our Contract With The DTRA Is Terminated, Our Loan Requires Us To Place A Significant Amount Of Our Cash In A Restricted Bank Account.

Under the terms of the Loan Agreement, if our contract with the Defense Threat Reduction Agency is terminated while the loan balance is outstanding, we will be required to at all times thereafter maintain cash and cash equivalents in an amount of at least eighty percent (80%) of the then outstanding principal balance of the Loan Agreement in a restricted account over which we will not be permitted to make withdrawals or otherwise exercise control.

We Have Had Significant Losses And We Anticipate Future Losses.

We have incurred net losses in most fiscal years since we began operations in 1981. The following table represents net losses incurred for the six months ended October 31, 2008 and for each of the past three fiscal years:

	Net Loss
Six months ended October 31, 2008 (unaudited)	$ 9,583,000
Fiscal Year 2008	$ 23,176,000
Fiscal Year 2007	$ 20,796,000
Fiscal Year 2006	$ 17,061,000

As of October 31, 2008, we had an accumulated deficit of $240,419,000. While we expect to continue to generate revenues from Avid's contract manufacturing services, in order to achieve and sustain profitable operations, we must successfully develop and obtain regulatory approval for our products, either alone or with others, and must also manufacture, introduce, market and sell our products. The costs associated with clinical trials and product manufacturing is very expensive and the time frame necessary to achieve market success for our products is long and uncertain. We do not expect to generate product or royalty revenues for at least the next two years, and we may never generate product and/or royalty revenues sufficient to become profitable or to sustain profitability.

The Sale Of Substantial Shares Of Our Common Stock May Depress Our Stock Price.

As of October 31, 2008, there were 226,210,617 shares of our common stock outstanding. Substantially all of these shares are eligible for trading in the public market, subject in some cases to volume and other limitations. The market price of our common stock may decline if our common stockholders sell a large number of shares of our common stock in the public market, or the market perceives that such sales may occur.

We could also issue up to 20,565,479 additional shares of our common stock that are reserved for future issuance under our shelf registration statements and stock option plans, as further described in the following table:

	Number of Shares of Common Stock Reserved For Issuance
Shares reserved for issuance under two effective shelf registration statements	5,030,634
Common shares reserved for issuance upon exercise of outstanding options or reserved for future option grants under our stock incentive plans	15,534,845
Total	20,565,479

In addition, the above table does not include shares of common stock that we have available to issue from the registration statement we filed during January 2007 on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

As of October 31, 2008 there are no options outstanding that would be considered dilutive to stockholders as the exercise prices of all options outstanding were greater than the market price of our common stock at October 31, 2008.

In addition, we will need to raise substantial additional capital in the future to fund our operations. If we raise additional funds by issuing equity securities, the market price of our securities may decline and our existing stockholders may experience significant dilution.

Our Highly Volatile Stock Price And Trading Volume May Adversely Affect The Liquidity Of Our Common Stock.

The market price of our common stock and the market prices of securities of companies in the biotechnology sector have generally been highly volatile and are likely to continue to be highly volatile.

The following table shows the high and low sales price and trading volume of our common stock for each quarter in the three fiscal years ended April 30, 2008, and our two fiscal quarters ended October 31, 2008:

	Common Stock Sales Price		Common Stock Daily Trading Volume (000's omitted)	
	High	**Low**	**High**	**Low**
Fiscal Year 2009				
Quarter Ended October 31, 2008	$0.40	$0.23	1,318	77
Quarter Ended July 31, 2008	$0.53	$0.31	2,997	103
Fiscal Year 2008				
Quarter Ended April 30, 2008	$0.73	$0.35	3,846	130
Quarter Ended January 31, 2008	$0.65	$0.35	3,111	140
Quarter Ended October 31, 2007	$0.79	$0.54	2,631	169
Quarter Ended July 31, 2007	$1.40	$0.72	21,653	237
Fiscal Year 2007				
Quarter Ended April 30, 2007	$1.26	$0.86	6,214	408
Quarter Ended January 31, 2007	$1.39	$1.09	4,299	203
Quarter Ended October 31, 2006	$1.48	$1.12	3,761	277
Quarter Ended July 31, 2006	$1.99	$1.30	23,790	429
Fiscal Year 2006				
Quarter Ended April 30, 2006	$1.76	$1.20	9,922	391
Quarter Ended January 31, 2006	$1.40	$0.88	12,152	251
Quarter Ended October 31, 2005	$1.28	$0.91	4,619	156
Quarter Ended July 31, 2005	$1.31	$0.92	7,715	178

The market price of our common stock may be significantly impacted by many factors, including, but not limited to:

- announcements of technological innovations or new commercial products by us or our competitors;
- publicity regarding actual or potential clinical trial results relating to products under development by us or our competitors;
- our financial results or that of our competitors, including our abilities to continue as a going concern;
- the offering and sale of shares of our common stock at a discount under an equity transaction;
- changes in our capital structure, including but not limited to any potential reverse stock split;
- published reports by securities analysts;
- announcements of licensing agreements, joint ventures, strategic alliances, and any other transaction that involves the sale or use of our technologies or competitive technologies;
- developments and/or disputes concerning our patent or proprietary rights;
- regulatory developments and product safety concerns;

- general stock trends in the biotechnology and pharmaceutical industry sectors;
- public concerns as to the safety and effectiveness of our products;
- economic trends and other external factors, including but not limited to, interest rate fluctuations, economic recession, inflation, foreign market trends, national crisis, and disasters; and
- healthcare reimbursement reform and cost-containment measures implemented by government agencies.

These and other external factors have caused and may continue to cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock, and may otherwise negatively affect the liquidity of our common stock.

The Liquidity Of Our Common Stock Will Be Adversely Affected If Our Common Stock Is Delisted From The Nasdaq Capital Market.

Our common stock is presently traded on The Nasdaq Capital Market. To maintain inclusion on The Nasdaq Capital Market, we must continue to meet the following six listing requirements:

1. Net tangible assets of at least $2,500,000 or market capitalization of at least $35,000,000 or net income of at least $500,000 in either our latest fiscal year or in two of our last three fiscal years;
2. Public float of at least 500,000 shares;
3. Market value of our public float of at least $1,000,000;
4. A minimum closing bid price of $1.00 per share of common stock, without falling below this minimum bid price for a period of thirty consecutive trading days;
5. At least two market makers; and
6. At least 300 stockholders, each holding at least 100 shares of common stock.

On July 25, 2007, we received a deficiency notice from The NASDAQ Stock Market notifying us that we had not met the $1.00 minimum closing bid price requirement for thirty consecutive trading days as required under NASDAQ listing rules. According to the NASDAQ notice, we were automatically afforded an initial “compliance period” of 180 calendar days, or until January 22, 2008, to regain compliance with this requirement. After the initial 180 calendar day period, we remained noncompliant with the minimum closing bid price requirement but because we were in compliance with all other initial listing requirements, we were afforded an additional “compliance period” of 180 calendar days, or until July 21, 2008. Because we did not regain compliance, i.e., the closing bid price of the Company’s common stock did not meet or exceed $1.00 per share for a minimum of ten (10) consecutive business days prior to July 21, 2008, on July 22, 2008 we received a notice from The NASDAQ Stock Market indicating that we were not in compliance with the minimum bid price requirement for continued listing, and as a result our common stock is subject to delisting. On July 28, 2008, we requested a hearing with the NASDAQ Listing Qualifications Panel (“Panel”) to review the delisting determination. Our request for a hearing stayed the delisting pending a decision by the Panel. The oral hearing took place September 4, 2008 at which we presented to the Panel our definitive plan to achieve and sustain long-term compliance with the listing requirements of the NASDAQ Capital Market. On September 16, 2008, we received a letter from the NASDAQ Stock Market informing us that the Panel had determined to grant our request to remain listed, subject to the condition that on or before January 20, 2009, we must evidence a closing bid price for our common stock of $1.00 or more for a minimum of ten prior consecutive trading days.

On October 21, 2008, we conducted our 2008 annual meeting of stockholders at which our stockholders approved an amendment to our certificate of incorporation to effect a reverse stock split of the outstanding shares of our common stock at a ratio to be determined by our Board of Directors within a range of three-for-one and ten-for-one. Subsequent to our annual meeting of stockholders, we received a letter from the NASDAQ Stock Market informing us that, due to the extraordinary market conditions, it has determined to suspend the bid price and market value of publicly held shares continued listing requirements through January 16, 2009. As a result of this suspension, the exception granted to us by the Panel, which required us to demonstrate compliance with the closing minimum bid price requirement by January 20, 2009, has been extended to April 27, 2009.

We intend to pursue all available options to ensure our continued listing on the Nasdaq Stock Market, including, if necessary, effecting the reverse stock split of our outstanding common stock previously approved by our stockholders. Although we currently meet all other Nasdaq listing requirements, the market price of our common stock has generally been highly volatile and we cannot guarantee that we will be able to regain compliance with the minimum closing bid price requirement within the required compliance period. If we fail to regain compliance with the minimum closing bid price requirement or fail to comply with any other of The Nasdaq Capital Market listing requirements, the market value of our common stock could fall and holders of common stock would likely find it more difficult to dispose of the common stock.

If our common stock is delisted, we would apply to have our common stock quoted on the over-the-counter electronic bulletin board. Upon any such delisting, our common stock would become subject to the regulations of the Securities and Exchange Commission relating to the market for penny stocks. A penny stock, as defined by the Penny Stock Reform Act, is any equity security not traded on a national securities exchange that has a market price of less than $5.00 per share. The penny stock regulations generally require that a disclosure schedule explaining the penny stock market and the risks associated therewith be delivered to purchasers of penny stocks and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. The broker-dealer must make a suitability determination for each purchaser and receive the purchaser's written agreement prior to the sale. In addition, the broker-dealer must make certain mandated disclosures, including the actual sale or purchase price and actual bid offer quotations, as well as the compensation to be received by the broker-dealer and certain associated persons. The regulations applicable to penny stocks may severely affect the market liquidity for our common stock and could limit your ability to sell your securities in the secondary market.

If We Effect A Reverse Stock Split, The Liquidity of Our Common Stock And Market Capitalization Could Be Adversely Affected.

A reverse stock split is often viewed negatively by the market and, consequently, can lead to a decrease in our overall market capitalization. If the per share market price does not increase proportionately as a result of the reverse split, then the value of our company as measured by our market capitalization will be reduced, perhaps significantly. In addition, because the reverse split will significantly reduce the number of shares of our common stock that are outstanding, the liquidity of our common stock could be adversely affected and you may find it more difficult to purchase or sell shares of our common stock.

Successful Development Of Our Products Is Uncertain. To Date, No Revenues Have Been Generated From The Commercial Sale Of Our Products And Our Products May Not Generate Revenues In The Future.

Our development of current and future product candidates is subject to the risks of failure inherent in the development of new pharmaceutical products and products based on new technologies. These risks include:

- delays in product development, clinical testing or manufacturing;
- unplanned expenditures in product development, clinical testing or manufacturing;
- failure in clinical trials or failure to receive regulatory approvals;
- emergence of superior or equivalent products;
- inability to manufacture on our own, or through others, product candidates on a commercial scale;
- inability to market products due to third party proprietary rights; and
- failure to achieve market acceptance.

Because of these risks, our research and development efforts or those of our partners may not result in any commercially viable products. If significant portions of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved products are not commercially successful, our business, financial condition and results of operations may be materially harmed.

Because we have not begun the commercial sale of any of our products, our revenue and profit potential is unproven and our limited operating history makes it difficult for an investor to evaluate our business and prospects. Our technology may not result in any meaningful benefits to our current or potential partners. No revenues have been generated from the commercial sale of our products, and our products may not generate revenues in the future. Our business and prospects should be considered in light of the heightened risks and unexpected expenses and problems we may face as a company in an early stage of development in a new and rapidly evolving industry.

Our Product Development Efforts May Not Be Successful.

Our product candidates have not received regulatory approval and are generally in research, pre-clinical and various clinical stages of development. If the results from any of the clinical trials are poor, those results may adversely affect our ability to raise additional capital or obtain regulatory approval to conduct additional clinical trials, which will affect our ability to continue full-scale research and development for our antibody technologies. In addition, our product candidates may take longer than anticipated to progress through clinical trials, or patient enrollment in the clinical trials may be delayed or prolonged significantly, thus delaying the clinical trials. Patient enrollment is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to the clinical sites, and the eligibility criteria for the study. In addition, because our Cotara® product currently in clinical trials represents a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy, rather than enroll patients in our clinical study.

Clinical Trials Required For Our Product Candidates Are Expensive And Time Consuming, And Their Outcome Is Uncertain.

In order to obtain FDA approval to market a new drug product, we or our potential partners must demonstrate proof of safety and efficacy in humans. To meet these requirements, we or our potential partners will have to conduct extensive pre-clinical testing and "adequate and well-controlled" clinical trials. Conducting clinical trials is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity, novelty and intended use of the product candidate, and often can be several years or more per trial. Delays associated with products for which we are directly conducting pre-clinical or clinical trials may cause us to incur additional operating expenses. Moreover, we may continue to be affected by delays associated with the pre-clinical testing and clinical trials of certain product candidates conducted by our partners over which we have no control. The commencement and rate of completion of clinical trials may be delayed by many factors, including, for example:

- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- slower than expected rates of patient recruitment due to narrow screening requirements;
- the inability of patients to meet FDA or other regulatory authorities imposed protocol requirements;
- the inability to retain patients who have initiated a clinical trial but may be prone to withdraw due to various clinical or personal reasons, or who are lost to further follow-up;
- the inability to manufacture sufficient quantities of qualified materials under current good manufacturing practices, or cGMPs, for use in clinical trials;
- the need or desire to modify our manufacturing processes;

- the inability to adequately observe patients after treatment;
- changes in regulatory requirements for clinical trials;
- the lack of effectiveness during the clinical trials;
- unforeseen safety issues;
- delays, suspension, or termination of the clinical trials due to the institutional review board responsible for overseeing the study at a particular study site; and
- government or regulatory delays or "clinical holds" requiring suspension or termination of the trials.

Even if we obtain positive results from pre-clinical or initial clinical trials, we may not achieve the same success in future trials. Clinical trials may not demonstrate statistically sufficient safety and effectiveness to obtain the requisite regulatory approvals for product candidates employing our technology.

Clinical trials that we conduct or that third-parties conduct on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for any of our product candidates. We expect to commence new clinical trials from time to time in the course of our business as our product development work continues. The failure of clinical trials to demonstrate safety and effectiveness for our desired indications could harm the development of that product candidate as well as other product candidates. Any change in, or termination of, our clinical trials could materially harm our business, financial condition and results of operations.

Our International Clinical Trials May Be Delayed Or Otherwise Adversely Impacted By Social, Political And Economic Factors Affecting The Particular Foreign Country.

We are presently conducting clinical trials in India and the Republic of Georgia. Our ability to successfully initiate, enroll and complete a clinical trial in either country, or in any future foreign country in which we may initiate a clinical trial, are subject to numerous risks unique to conducting business in foreign countries, including:

- difficulty in establishing or managing relationships with clinical research organizations and physicians;
- different standards for the conduct of clinical trials and/or health care reimbursement;
- our inability to locate qualified local consultants, physicians, and partners;
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical products and treatment; and
- general geopolitical risks, such as political and economic instability, and changes in diplomatic and trade relations.

Because we will be conducting a number of our Phase II clinical trials in India and the Republic of Georgia and potentially other foreign countries, any disruption to our international clinical trial program could significantly delay our product development efforts. In addition, doing business in the Republic of Georgia, which is in Eastern Europe, involves other significant risks which could materially and adversely affect our business as there remains a high degree of political instability in many parts of Eastern Europe.

Success In Early Clinical Trials May Not Be Indicative Of Results Obtained In Later Trials.

A number of new drugs and biologics have shown promising results in initial clinical trials, but subsequently failed to establish sufficient safety and effectiveness data to obtain necessary regulatory approvals. Data obtained from pre-clinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval.

Positive results from pre-clinical studies and our Phase I clinical trials should not be relied upon as evidence that later or larger-scale clinical trials will succeed. The Phase I studies we have completed to date have been designed to primarily assess safety in a small number of patients. The limited results we have obtained may not predict results for any future studies and also may not predict future therapeutic benefit. We will be required to demonstrate through larger-scale clinical trials that bavituximab and Cotara® are safe and effective for use in a diverse population before we can seek regulatory approval for their commercial sale. There is typically an extremely high rate of attrition from the failure of drug candidates proceeding through clinical trials.

In addition, regulatory delays or rejections may be encountered as a result of many factors, including changes in regulatory policy during the period of product development.

If We Successfully Develop Products But Those Products Do Not Achieve And Maintain Market Acceptance, Our Business Will Not Be Profitable.

Even if bavituximab, Cotara®, or any future product candidate is approved for commercial sale by the FDA or other regulatory authorities, the degree of market acceptance of any approved product candidate by physicians, healthcare professionals and third-party payors and our profitability and growth will depend on a number of factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- availability of alternative treatments;
- pricing and cost effectiveness;
- effectiveness of our or our collaborators' sales and marketing strategy; and
- our ability to obtain sufficient third-party insurance coverage or reimbursement.

In addition, if bavituximab, Cotara®, or any future product candidate that we discover and develop does not provide a treatment regimen that is more beneficial than the current standard of care or otherwise provide patient benefit, that product likely will not be accepted favorably by the market. If any products we may develop do not achieve market acceptance, then we may not generate sufficient revenue to achieve or maintain profitability.

In addition, even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

If We Cannot License Or Sell Cotara®, It May Be Delayed Or Never Be Further Developed.

We have completed Phase I and Phase I/II studies with Cotara® for the treatment of brain cancer. In addition, we are currently conducting a dose confirmation and dosimetry clinical trial in patients with recurrent glioblastoma multiforme ("GBM") in the U.S. In June 2007, we opened enrollment in a Phase II safety and efficacy study in India using a single administration of the drug through an optimized delivery method. Taken together, the current U.S. study along with data collected from the Phase II safety and efficacy study in India should provide the safety, dosimetry and efficacy data that will support the final design of the larger Phase III study. Once we complete these two Cotara® studies for the treatment of GBM, substantial financial resources will be needed to complete the final part of the trial and any additional supportive clinical studies necessary for potential product approval. We do not presently have the financial resources internally to complete the larger Phase III study. We therefore intend to continue to seek a licensing or funding partner for Cotara®, and hope that the data from the U.S. and the Phase II study in India will enhance our opportunities of finding such partner. If a partner is not found for this technology, we may not be able to advance the project past its current state of development. Because there are a limited number of companies which have the financial resources, the internal infrastructure, the technical capability and the marketing infrastructure to develop and market a radiopharmaceutical based oncology drug, we may not find a suitable partnering candidate for Cotara®. We also cannot ensure that we will be able to find a suitable licensing partner for this technology. Furthermore, we cannot ensure that if we do find a suitable licensing partner, the financial terms that they propose will be acceptable to the Company.

Our Dependency On Our Radiolabeling Suppliers May Negatively Impact Our Ability To Complete Clinical Trials And Market Our Products.

We have procured our antibody radioactive isotope combination services ("radiolabeling") for Cotara® with Iso-tex Diagnostics, Inc. for all U.S. clinical trials and with the Board of Radiation & Isotope Technology ("BRIT") for our Phase II study in India. If either of these suppliers is unable to continue to qualify its respective facility or radiolabel and supply our antibody in a timely manner, our current clinical trials using radiolabeling technology could be adversely affected and significantly delayed. While there are other suppliers for radioactive isotope combination services in the U.S., our clinical trial would be delayed for up to twelve to eighteen months because it may take that amount of time to certify a new facility under current Good Manufacturing Practices and qualify the product, plus we would incur significant costs to transfer our technology to another vendor. In addition, the number of facilities that can perform these radiolabeling services is very limited. Prior to commercial distribution of any of our products, if approved, we will be required to identify and contract with a company for commercial antibody manufacturing and radioactive isotope combination services. An antibody that has been combined with a radioactive isotope, such as Iodine-131, cannot be stored for long periods of time, as it must be used within one week of being radiolabeled to be effective. Accordingly, any change in our existing or future contractual relationships with, or an interruption in supply from, any such third-party service provider or antibody supplier could negatively impact our ability to complete ongoing clinical trials conducted by us or a potential licensing partner.

Our Manufacturing Facilities May Not Continue To Meet Regulatory Requirements And Have Limited Capacity.

Before approving a new drug or biologic product, the FDA requires that the facilities at which the product will be manufactured be in compliance with current Good Manufacturing Practices, or cGMP requirements. To be successful, our therapeutic products must be manufactured for development and, following approval, in commercial quantities, in compliance with regulatory requirements and at acceptable costs. Currently, we manufacture all pre-clinical and clinical material through Avid Bioservices, our wholly owned subsidiary. While we believe our current facilities are adequate for the manufacturing of product candidates for clinical trials, our facilities may not be adequate to produce sufficient quantities of any products for commercial sale.

If we are unable to establish and maintain a manufacturing facility or secure third-party manufacturing capacity within our planned time frame and cost parameters, the development and sales of our products, if approved, may be materially harmed.

We may also encounter problems with the following:

- production yields;
- quality control and quality assurance;
- shortages of qualified personnel;
- compliance with FDA or other regulatory authorities regulations, including the demonstration of purity and potency;
- changes in FDA or other regulatory authorities requirements;
- production costs; and/or
- development of advanced manufacturing techniques and process controls.

In addition, we or any third-party manufacturer will be required to register the manufacturing facilities with the FDA and other regulatory authorities, provided it had not already registered. The facilities will be subject to inspections confirming compliance with cGMP or other regulations. If any of our third-party manufacturers or we fail to maintain regulatory compliance, the FDA can impose regulatory sanctions including, among other things, refusal to approve a pending application for a new drug product or biologic product, or revocation of a pre-existing approval. As a result, our business, financial condition and results of operations may be materially harmed.

We Currently Depend On a Government Contract To Partially Fund Our Research And Development Efforts. If Our Current Government Funding Is Reduced Or Delayed, Our Drug Development Efforts May Be Negatively Affected.

On June 30, 2008, we were awarded up to a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA). This federal contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $14.3 million having been appropriated through the current federal fiscal year ending September 30, 2009. The remainder of the $22.3 million in funding is expected to be appropriated over the remainder of the two-year base period ending June 29, 2010. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended beyond the base period to cover up to $44.4 million in funding over the five-year contract period. Work under this contract commenced on June 30, 2008. If we do not receive the expected funding under this contract, we may not be able to develop therapeutics to treat hemorrhagic fever virus infection nor otherwise receive the other indirect benefits that may be derived from receipt of the full funding under this contract.

Federal government contracts contain provisions giving government customers a variety of rights that are unfavorable to us, including the ability to terminate a contract at any time for convenience.

Federal government contracts, such as our contract with the DTRA, contain provisions, and are subject to laws and regulations, that give the government rights and remedies not typically found in commercial contracts. These provisions may allow the government to:

- Reduce, cancel, or otherwise modify our contracts or related subcontract agreements;
- Decline to exercise an option to renew a multi-year contract;
- Claim rights in products and systems produced by us;
- Prohibit future procurement awards with a particular agency as a result of a finding of an organizational conflict of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors;
- Subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest;
- Suspend or debar us from doing business with the federal government or with a governmental agency; and
- Control or prohibit the export of our products and services.

If the government terminates our contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates our contract for default, we may not recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. If the DTRA were to unexpectedly terminate or cancel, or decline to exercise the option to extend our contract beyond the base period, our revenues, product development efforts and operating results would be materially harmed.

We May Have Significant Product Liability Exposure Because We Maintain Only Limited Product Liability Insurance.

We face an inherent business risk of exposure to product liability claims in the event that the administration of one of our drugs during a clinical trial adversely affects or causes the death of a patient. Although we maintain product liability insurance for clinical studies in the amount of $3,000,000 per occurrence or $3,000,000 in the aggregate on a claims-made basis, this coverage may not be adequate. Product liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Our inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims in excess of our insurance coverage, if any, or a product recall, could negatively impact our financial position and results of operations.

In addition, the contract manufacturing services that we offer through Avid expose us to an inherent risk of liability as the antibodies or other substances manufactured by Avid, at the request and to the specifications of our customers, could possibly cause adverse effects or have product defects. We obtain agreements from our customers indemnifying and defending us from any potential liability arising from such risk. There can be no assurance that such indemnification agreements will adequately protect us against potential claims relating to such contract manufacturing services or protect us from being named in a possible lawsuit. Although Avid has procured insurance coverage, there is no guarantee that we will be able to maintain our existing coverage or obtain additional coverage on commercially reasonable terms, or at all, or that such insurance will provide adequate coverage against all potential claims to which we might be exposed. A partially successful or completely uninsured claim against Avid would have a material adverse effect on our consolidated operations.

If We Are Unable To Obtain, Protect And Enforce Our Patent Rights, We May Be Unable To Effectively Protect Or Exploit Our Proprietary Technology, Inventions And Improvements.

Our success depends in part on our ability to obtain, protect and enforce commercially valuable patents. We try to protect our proprietary positions by filing United States and foreign patent applications related to our proprietary technology, inventions and improvements that are important to developing our business. However, if we fail to obtain and maintain patent protection for our proprietary technology, inventions and improvements, our competitors could develop and commercialize products that would otherwise infringe upon our patents.

Our patent position is generally uncertain and involves complex legal and factual questions. Legal standards relating to the validity and scope of claims in the biotechnology and biopharmaceutical fields are still evolving. Accordingly, the degree of future protection for our patent rights is uncertain. The risks and uncertainties that we face with respect to our patents include the following:

- the pending patent applications we have filed or to which we have exclusive rights may not result in issued patents or may take longer than we expect to result in issued patents;
- the claims of any patents that issue may not provide meaningful protection;
- we may be unable to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us may not provide a competitive advantage;
- other parties may challenge patents licensed or issued to us;
- disputes may arise regarding the invention and corresponding ownership rights in inventions and know-how resulting from the joint creation or use of intellectual property by us, our licensors, corporate partners and other scientific collaborators; and
- other parties may design around our patented technologies.

We May Become Involved In Lawsuits To Protect Or Enforce Our Patents That Would Be Expensive And Time Consuming.

In order to protect or enforce our patent rights, we may initiate patent litigation against third parties. In addition, we may become subject to interference or opposition proceedings conducted in patent and trademark offices to determine the priority and patentability of inventions. The defense of intellectual property rights, including patent rights through lawsuits, interference or opposition proceedings, and other legal and administrative proceedings, would be costly and divert our technical and management personnel from their normal responsibilities. An adverse determination of any litigation or defense proceedings could put our pending patent applications at risk of not being issued.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. For example, during the course of this kind of litigation, confidential information may be inadvertently disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. This disclosure could have a material adverse effect on our business and our financial results.

We May Not Be Able To Compete With Our Competitors In The Biotechnology Industry Because Many Of Them Have Greater Resources Than We Do And They Are Further Along In Their Development Efforts.

The pharmaceutical and biotechnology industry is intensely competitive and subject to rapid and significant technological change. Many of the drugs that we are attempting to discover or develop will be competing with existing therapies. In addition, we are aware of several pharmaceutical and biotechnology companies actively engaged in research and development of antibody-based products that have commenced clinical trials with, or have successfully commercialized, antibody products. Some or all of these companies may have greater financial resources, larger technical staffs, and larger research budgets than we have, as well as greater experience in developing products and running clinical trials. We expect to continue to experience significant and increasing levels of competition in the future. In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products that are comparable or superior to our technologies and products.

We are conducting the Cotara® dose confirmation and dosimetry clinical trial for the treatment of recurrent glioblastoma multiforme (“GBM”), the most aggressive form of brain cancer. Approved treatments for brain cancer include the Gliadel® Wafer (polifeprosan 20 with carmustine implant) from MGI Pharma, Inc. and Temodar® (temozolomide) from Schering-Plough Corporation. Gliadel® is inserted in the tumor cavity following surgery and releases a chemotherapeutic agent over time. Temodar® is administered orally to patients with brain cancer.

Because Cotara® targets brain tumors from the inside out, it is a novel treatment dissimilar from other drugs in development for this disease. Some products in development may compete with Cotara® should they become approved for marketing. These products include, but are not limited to: ^{131}I-TM601, a radiolabeled chlorotoxin peptide being developed by TransMolecular, Inc., Neuradiab, a radiolabeled anti-tenascin monoclonal antibody sponsored by Bradmer Pharmaceuticals, CDX-110, a peptide vaccine under development by Celldex, cilengitide, an integrin-targeting peptide being evaluated by Merk KGaA, and cediranib, a VEGFR tyrosine kinase inibitor being developed by AstraZeneca. In addition, oncology products marketed for other indications such as Gleevec® (Novartis), Tarceva® (Genentech/OSI), Avastin® (Genentech) and Nexavar® (Bayer), are being tested in clinical trials for the treatment of brain cancer.

Bavituximab is currently in clinical trials for the treatment of advanced solid cancers. There are a number of possible competitors with approved or developmental targeted agents used in combination with standard chemotherapy for the treatment of cancer, including but not limited to, Avastin® by Genentech, Inc., Gleevec® by Novartis, Tarceva® by OSI Pharmaceuticals, Inc. and Genentech, Inc., Erbitux® by ImClone Systems Incorporated and Bristol-Myers Squibb Company, Rituxan® and Herceptin® by Genentech, Inc., and Vectibix™ by Amgen. There are a significant number of companies developing cancer therapeutics using a variety of targeted and non-targeted approaches. A direct comparison of these potential competitors will not be possible until bavituximab advances to later-stage clinical trials.

In addition, we are evaluating bavituximab for the treatment of HCV. Bavituximab is a first-in-class approach for the treatment of HCV. We are aware of no other products in development targeting phosphatidylserine as a potential therapy for HCV. There are a number of companies that have products approved and on the market for the treatment of HCV, including but not limited to: Peg-Intron® (pegylated interferon-alpha-2b), Rebetol® (ribavirin), and Intron-A (interferon-alpha-2a), which are marketed by Schering-Plough Corporation, and Pegasys® (pegylated interferon-alpha-2a), Copegus® (ribavirin USP) and Roferon-A® (interferon-alpha-2a), which are marketed by Roche Pharmaceuticals, and Infergen® (interferon alfacon-1) now marketed by Three Rivers Pharmaceuticals, LLC. First line treatment for HCV has changed little since alpha interferon was first introduced in 1991. The current standard of care for HCV includes a combination of an alpha interferon (pegylated or non-pegylated) with ribavirin. This combination therapy is generally associated with considerable toxicity including flu-like symptoms, hematologic changes and central nervous system side effects including depression. It is not uncommon for patients to discontinue alpha interferon therapy because they are unable to tolerate the side effects of the treatment.

Future treatments for HCV are likely to include a combination of these existing products used as adjuncts with products now in development. Later-stage developmental treatments include improvements to existing therapies, such as Albuferon™ (albumin interferon) from Human Genome Sciences, Inc. and Viramidine™ (taribavirin), a prodrug analog of ribavirin being developed by Valeant Pharmaceuticals International. Other developmental approaches include, but are not limited to, protease inhibitors such as telaprevir from Vertex Pharmaceuticals Incorporated and boceprevir from Schering-Plough Corporation.

Avid Bioservices, Our subsidiary, Is exposed To Risks Resulting From Its Small Customer Base.

A significant portion of Avid Bioservices' revenues have historically been derived from a small customer base. These customers typically do not enter into long-term contracts because their need for drug supply depends on a variety of factors, including the drug's stage of development, their financial resources, and, with respect to commercial drugs, demand for the drug in the market. Our results of operations could be adversely affected if revenue from any one of our primary customers is significantly reduced or eliminated

If We Lose Qualified Management And Scientific Personnel Or Are Unable To Attract And Retain Such Personnel, We May Be Unable To Successfully Develop Our Products Or We May Be Significantly Delayed In Developing Our Products.

Our success is dependent, in part, upon a limited number of key executive officers, each of whom is an at-will employee, and also upon our scientific researchers. For example, because of his extensive understanding of our technologies and product development programs, the loss of Mr. Steven W. King, our President & Chief Executive Officer and Director, would adversely affect our development efforts and clinical trial programs during the six to twelve month period that we estimate it would take to find and train a qualified replacement.

We also believe that our future success will depend largely upon our ability to attract and retain highly-skilled research and development and technical personnel. We face intense competition in our recruiting activities, including competition from larger companies with greater resources. We do not know if we will be successful in attracting or retaining skilled personnel. The loss of certain key employees or our inability to attract and retain other qualified employees could negatively affect our operations and financial performance.

Our Governance Documents And State Law Provide Certain Anti-Takeover Measures Which Will Discourage A Third Party From Seeking To Acquire Us Unless Approved By the Board of Directors.

We adopted a shareholder rights plan, commonly referred to as a "poison pill," on March 16, 2006. The purpose of the shareholder rights plan is to protect stockholders against unsolicited attempts to acquire control of us that do not offer a fair price to our stockholders as determined by our Board of Directors. Under the plan, the acquisition of 15% or more of our outstanding common stock by any person or group, unless approved by our board of directors, will trigger the right of our stockholders (other than the acquiror of 15% or more of our common stock) to acquire additional shares of our common stock, and, in certain cases, the stock of the potential acquiror, at a 50% discount to market price, thus significantly increasing the acquisition cost to a potential acquiror. In addition, our certificate of incorporation and by-laws contain certain additional anti-takeover protective devices. For example,

- no stockholder action may be taken without a meeting, without prior notice and without a vote; solicitations by consent are thus prohibited;
- special meetings of stockholders may be called only by our Board of Directors; and
- our Board of Directors has the authority, without further action by the stockholders, to fix the rights and preferences, and issue shares, of preferred stock. An issuance of preferred stock with dividend and liquidation rights senior to the common stock and convertible into a large number of shares of common stock could prevent a potential acquiror from gaining effective economic or voting control.

Further, we are subject to Section 203 of the Delaware General Corporation Law which, subject to certain exceptions, restricts certain transactions and business combinations between a corporation and a stockholder owning 15% or more of the corporation's outstanding voting stock for a period of three years from the date the stockholder becomes a 15% stockholder.

Although we believe these provisions and our rights plan collectively provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our Board of Directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS. None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We held our annual meeting of stockholders' on October 21, 2008. The following represents the matters voted upon and the results of the voting:

Routine Matters	***For***	***Withheld***	
1) Election of Directors:			
Carlton M. Johnson	159,978,749	37,074,497	
Steven W. King	148,898,697	48,154,549	
David H. Pohl	143,464,688	53,588,558	
Eric S. Swartz	145,550,693	51,502,553	
Dr. Thomas A. Waltz	144,361,393	52,691,853	
	For	***Against***	***Abstain***
2) To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending April 30, 2009.	187,814,559	6,143,506	3,095,180
3) To approve an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of our issued and outstanding common stock at a ratio to be determined by our Board of Directors in their sole discretion within a range of three-for-one and ten-for-one, at any time before our 2009 annual meeting of stockholders.	128,644,284	66,401,544	2,007,417
4) To approve the adoption of the Company's 2008 Stock Incentive Plan.	33,610,879	35,507,637	820,080

ITEM 5. OTHER INFORMATION. None.

ITEM 6. EXHIBITS.

(a) Exhibits:

31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

PEREGRINE PHARMACEUTICALS, INC.

Date: December 9, 2008

By: /s/ STEVEN W. KING

Steven W. King
President, Chief Executive Officer, and Director

Date: December 9, 2008

By: /s/ PAUL J. LYTLE

Paul J. Lytle
Chief Financial Officer
(signed both as an officer duly authorized to sign on behalf of the Registrant and principal financial officer and chief accounting officer)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steven W. King, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peregrine Pharmaceuticals, 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 (or persons performing the equivalent functions):

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.

Dated: December 9, 2008

Signed: /s/ STEVEN W. KING

Steven W. King
President, Chief Executive Officer, and Director

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul J. Lytle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peregrine Pharmaceuticals, 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 (or persons performing the equivalent functions):

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.

Dated: December 9, 2008

Signed: /s/ PAUL J. LYTLE

Paul J. Lytle
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven W. King, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q for the quarter ended October 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By:	/s/ STEVEN W. KING
Name:	Steven W. King
Title:	President, Chief Executive Officer, and Director
Date:	December 9, 2008

I, Paul J. Lytle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q for the quarter ended October 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By:	/s/ PAUL J. LYTLE
Name:	Paul J. Lytle
Title:	Chief Financial Officer
Date:	December 9, 2008

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

This Certification is being furnished pursuant to Rule 15(d) and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.