SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 2

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED APRIL 30, 2002

OR

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

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.)
14272 FRANKLIN AVENUE, SUITE 100, TUSTIN, CALIFORNIA	92780-7017
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act: COMMON STOCK

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $79,708,000 as of August 5, 2002, based upon a closing price of $0.76 per share. Excludes 5,396,503 shares of common stock held by executive officers, directors, and shareholders whose ownership exceeds 5% of the common stock outstanding as of August 5, 2002.

As of August 5, 2002, there were 110,275,209 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K is incorporated by reference from the Registrant's Definitive Proxy Statement for its 2002 Annual Shareholders' Meeting.

This Amendment No. 2 is being filed in connection with the filing of our Registration Statement on Form S-3, as filed with the Securities and Exchange Commission on March 21, 2003, to reflect an added emphasis paragraph in our audit opinion from our independent auditors and to update Footnote 1 to the consolidated financial statements pertaining to our results of operations and our liquidity.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PEREGRINE PHARMACEUTICALS, INC.

Dated: March 19, 2003

By: /s/ Steven W. King

Steven W. King, President and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Steven W. King Steven W. King	President & Chief Executive Officer (Principal Executive Officer)	March 19, 2003
/s/ Paul J. Lytle Paul J. Lytle	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 19, 2003
/s/ Carlton M. Johnson Carlton M. Johnson	Director	March 19, 2003
/s/ Edward J. Legere Edward J. Legere	Director	March 19, 2003
/s/ Eric S. Swartz Eric S. Swartz	Director	March 19, 2003
/s/ Clive R. Taylor, M.D., Ph.D. Clive R. Taylor, M.D., Ph.D.	Director	March 19, 2003

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Peregrine Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Peregrine Pharmaceuticals, Inc. (the Company) as of April 30, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended April 30, 2002. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Since the date of completion of our audit on the accompanying consolidated financial statements and initial issuance of our report thereon dated June 21, 2002, except for Note 14, as to which the date is August 13, 2002, the Company, as discussed in Note 1, has continued to expend substantial funds and incur negative cash flows from operations that adversely effect the Company's current results of operations and liquidity. Note 1, describes management's plans to address these issues.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peregrine Pharmaceuticals, Inc. at April 30, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended April 30, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Orange County, California
June 21, 2002,
except for Note 14, as to which the date is
August 13, 2002,
and Note 1, as to which the date is
March 19, 2003

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2002 AND 2001

	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,072,000	$ 6,327,000
Trade and other receivables, net of allowance for doubtful accounts of $80,000 (2002) and $54,000 (2001)	328,000	46,000
Prepaid expenses and other current assets	390,000	264,000
Total current assets	6,790,000	6,637,000
PROPERTY:		
Leasehold improvements	267,000	208,000
Laboratory equipment	1,803,000	1,818,000
Furniture, fixtures and computer equipment	698,000	704,000
	2,768,000	2,730,000
Less accumulated depreciation and amortization	(1,853,000)	(1,613,000)
Property, net	915,000	1,117,000
OTHER ASSETS:		
Note receivable, net of allowance of $1,705,000 (2002) and $1,759,000 (2001)	--	--
Other, net	161,000	146,000
Total other assets	161,000	146,000
TOTAL ASSETS	$ 7,866,000	$ 7,900,000

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2002 AND 2001 (CONTINUED)

	2002	2001
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,070,000	$ 675,000
Accrued clinical trial site fees	607,000	268,000
Accrued legal and accounting fees	303,000	206,000
Notes payable, current portion	2,000	86,000
Accrued payroll and related costs	374,000	122,000
Accrued royalties and license fees	189,000	147,000
Other current liabilities	238,000	187,000
Deferred license revenue	--	3,500,000
Total current liabilities	2,783,000	5,191,000
NOTES PAYABLE	--	2,000
DEFERRED LICENSE REVENUE	--	21,000
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY:		
Common stock-$.001 par value; authorized 150,000,000 shares; outstanding 2002 - 110,275,209; 2001 - 97,288,934	110,000	97,000
Additional paid-in-capital	134,221,000	120,253,000
Deferred stock compensation	(801,000)	(935,000)
Accumulated deficit	(128,447,000)	(116,729,000)
Total stockholders' equity	5,083,000	2,686,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,866,000	$ 7,900,000

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2002

	2002	2001	2000
LICENSE AND OTHER REVENUE	$ 3,766,000	$ 979,000	$ 50,000
OPERATING EXPENSES:			
Research and development	11,506,000	7,749,000	8,631,000
General and administrative	2,478,000	3,443,000	3,666,000
Purchased in-process research and development	2,000,000	--	--
Provision for note receivable	--	--	1,863,000
Total operating expenses	15,984,000	11,192,000	14,160,000
LOSS FROM OPERATIONS	(12,218,000)	(10,213,000)	(14,110,000)
OTHER INCOME (EXPENSE):			
Interest and other income	512,000	921,000	305,000
Interest and other expense	(12,000)	(243,000)	(709,000)
NET LOSS	$ (11,718,000)	$ (9,535,000)	$ (14,514,000)
Net loss before preferred stock accretion and dividends	$ (11,718,000)	$ (9,535,000)	$ (14,514,000)
Imputed dividends on preferred stock	--	--	(2,000)
NET LOSS APPLICABLE TO COMMON STOCK	$ (11,718,000)	$ (9,535,000)	$ (14,516,000)
WEIGHTED AVERAGE SHARES OUTSTANDING	104,540,204	95,212,423	81,195,049
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.11)	$ (0.10)	$ (0.18)

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2002

	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL
BALANCES, MAY 1, 1999	121	--	73,372,205	$ 73,000	$ 92,624,000
Common stock issued upon conversion of Class C preferred stock	(121)	--	312,807	1,000	(1,000)
Accretion of Class C dividends	--	--	--	--	--
Common stock issued for cash under Equity Line, net of cash offering costs of $781,000	--	--	9,712,044	10,000	7,947,000
Common stock issued for cash under Subscription Agreement with related parties	--	--	2,000,000	2,000	498,000
Common stock issued upon conversion of Class C warrants and Equity Line warrants	--	--	1,048,802	1,000	41,000
Common stock issued for cash upon exercise of options and warrants	--	--	3,092,648	3,000	2,497,000
Common stock issued for services, license rights, interest, and under severance agreements	--	--	1,074,104	1,000	1,183,000
Deferred stock compensation	--	--	--	--	1,851,000
Stock-based compensation	--	--	--	--	--
Reduction of notes receivable	--	--	--	--	--
Net loss	--	--	--	--	--
BALANCES, APRIL 30, 2000	--	--	90,612,610	91,000	106,640,000
Common stock issued for cash under Equity Line, net of cash offering costs of $728,000	--	--	5,212,564	5,000	9,368,000
Common stock issued upon conversion of Equity Line warrants	--	--	9,801	--	--
Common stock issued for cash upon exercise of options and warrants	--	--	200,278	--	88,000
Common stock issued to OXiGENE, Inc. for cash under joint venture	--	--	585,009	1,000	1,999,000
Common stock issued to Schering A.G. for obligations under the license agreement amendment	--	--	518,672	--	1,300,000
Common stock issued for cash to SuperGen, Inc. under license agreement	--	--	150,000	--	600,000
Deferred stock compensation	--	--	--	--	258,000
Stock-based compensation	--	--	--	--	--
Net loss	--	--	--	--	--
BALANCES, APRIL 30, 2001	--	--	97,288,934	97,000	120,253,000
Common stock issued for cash under Equity Line, net of cash offering costs of $478,000	--	--	5,039,203	5,000	5,031,000
Common stock issued for cash upon exercise of options and warrants	--	--	847,072	1,000	468,000
Common stock issued for cash under Shelf, net of cash offering costs of $87,000	--	--	7,100,000	7,000	7,856,000
Deferred stock compensation	--	--	--	--	613,000
Stock-based compensation	--	--	--	--	--
Net loss	--	--	--	--	--
BALANCES, APRIL 30, 2002	--	$--	110,275,209	$ 110,000	$ 134,221,000

(CONTINUED)

	DEFERRED STOCK COMPENSATION	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM SALE OF COMMON STOCK	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
BALANCES, MAY 1, 1999	$ (1,845,000)	$ (92,678,000)	$ (307,000)	$ (2,133,000)
Common stock issued upon conversion of Class C preferred stock	--	--	--	--
Accretion of Class C dividends	--	(2,000)	--	(2,000)
Common stock issued for cash under Equity Line, net of cash offering costs of $781,000	--	--	--	7,957,000
Common stock issued for cash under Subscription Agreement with related parties	--	--	--	500,000
Common stock issued upon conversion of Class C warrants and Equity Line warrants	--	--	--	42,000
Common stock issued for cash upon exercise of options and warrants	--	--	--	2,500,000
Common stock issued for services, license rights, interest, and under severance agreements	--	--	--	1,184,000
Deferred stock compensation	(1,851,000)	--	--	--
Stock-based compensation	1,438,000	--	--	1,438,000
Reduction of notes receivable	--	--	307,000	307,000
Net loss	--	(14,514,000)	--	(14,514,000)
BALANCES, APRIL 30, 2000	(2,258,000)	(107,194,000)	--	(2,721,000)
Common stock issued for cash under Equity Line, net of cash offering costs of $728,000	--	--	--	9,373,000
Common stock issued upon conversion of Equity Line warrants	--	--	--	--
Common stock issued for cash upon exercise of options and warrants	--	--	--	88,000
Common stock issued to OXiGENE, Inc. for cash under joint venture	--	--	--	2,000,000
Common stock issued to Schering A.G. for obligations under the license agreement amendment	--	--	--	1,300,000
Common stock issued for cash to SuperGen, Inc. under license agreement	--	--	--	600,000
Deferred stock compensation	(258,000)	--	--	--
Stock-based compensation	1,581,000	--	--	1,581,000
Net loss	--	(9,535,000)	--	(9,535,000)
BALANCES, APRIL 30, 2001	(935,000)	(116,729,000)	--	2,686,000
Common stock issued for cash under Equity Line, net of cash offering costs of $478,000	--	--	--	5,036,000
Common stock issued for cash upon exercise of options and warrants	--	--	--	469,000
Common stock issued for cash under Shelf, net of cash offering costs of $87,000	--	--	--	7,863,000
Deferred stock compensation	(613,000)	--	--	--
Stock-based compensation	747,000	--	--	747,000
Net loss	--	(11,718,000)	--	(11,718,000)
BALANCES, APRIL 30, 2002	$ (801,000)	$(128,447,000)	$ --	$ 5,083,000

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2002

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(11,718,000)	$ (9,535,000)	$(14,514,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Provision for note receivable	--	--	1,863,000
Allowance for bad debts	25,000	--	--
Depreciation and amortization	424,000	412,000	516,000
(Gain)/loss on disposal of long-term assets and write-down of property held for sale	(73,000)	9,000	327,000
Stock-based compensation expense and common stock issued for interest, services, and under severance agreements	747,000	2,881,000	2,622,000
Severance expense	--	--	213,000
Changes in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Trade and other receivables	(307,000)	44,000	142,000
Prepaid expenses and other current assets	(106,000)	4,000	69,000
Other assets	--	--	187,000
Accounts payable	394,000	153,000	(376,000)
Accrued clinical trial site fees	339,000	(12,000)	(411,000)
Deferred license revenue	(3,521,000)	21,000	500,000
Other accrued expenses and current liabilities	443,000	(211,000)	(437,000)
Net cash used in operating activities	(13,353,000)	(6,234,000)	(9,299,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property	131,000	2,000	--
Property acquisitions	(280,000)	(242,000)	(201,000)
(Increase) decrease in other assets	(35,000)	20,000	47,000
Net cash used in investing activities	(184,000)	(220,000)	(154,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock	13,368,000	12,061,000	10,999,000
Payment of Class C preferred stock dividends	--	--	(2,000)
Payments on notes receivable from sale of common stock	--	--	307,000
Principal payments on notes payable	(86,000)	(3,411,000)	(105,000)
Net cash provided by financing activities	13,282,000	8,650,000	11,199,000

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2002 (CONTINUED)

	2002	2001	2000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	$ (255,000)	$ 2,196,000	$ 1,746,000
CASH AND CASH EQUIVALENTS, Beginning of year	6,327,000	4,131,000	2,385,000
CASH AND CASH EQUIVALENTS, End of year	$ 6,072,000	$ 6,327,000	$ 4,131,000
SUPPLEMENTAL INFORMATION:			
Interest paid	$ 5,000	$ 399,000	$ 217,000
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Transfer of assets held for sale to property	$ --	$ 428,000	$ --

For supplemental information relating to conversion of preferred stock into common stock, common stock issued in exchange for services, provision for note receivable, loss on disposal of property and other non-cash transactions, see Notes 3, 4, 5, 7, 8 and 9.

See accompanying notes to consolidated financial statements.

---

1. ORGANIZATION AND BUSINESS DESCRIPTION

ORGANIZATION - Peregrine Pharmaceuticals, Inc. ("Peregrine" or "the Company") was incorporated in the state of Delaware on September 25, 1996 under the name of Techniclone Corporation. The Company changed its name to Peregrine Pharmaceuticals Inc. in October 2000. In conjunction with the Company's name change to Peregrine Pharmaceuticals, Inc., the Company changed the name of its wholly-owned subsidiary to Vascular Targeting Technologies, Inc. (formally known as Peregrine Pharmaceuticals, Inc.), a Delaware corporation, acquired in April 1997. In January 2002, the Company announced the formation of a wholly-owned subsidiary, Avid Bioservices, Inc. ("Avid"), for the purpose of providing contract manufacturing services for biopharmaceutical and biotechnology businesses, including the manufacture of biologics under current Good Manufacturing Practices, cell culture, process development, and testing of biologics.

BUSINESS DESCRIPTION - Peregrine, located in Tustin, California, is a biopharmaceutical company engaged in the development and commercialization of cancer therapeutics and cancer diagnostics through a series of proprietary platform technologies using monoclonal antibodies. Peregrine's main focus is the development of its Collateral Targeting Agent technologies. Collateral Targeting Agents use antibodies that bind to or target stable structures found in all solid tumors, such as the necrotic core of the tumor or blood vessels found in all solid tumors. In pre-clinical and clinical studies, these antibodies are capable of targeting and delivering therapeutic killing agents to the tumor thereby destroying cancerous tumor cells. In addition, the Company has a direct tumor targeting antibody, Oncolym(R), which recognizes and binds to cancerous lymphoma tumor sites. During June 2001, the Company assumed the rights to Oncolym(R) previously licensed to Schering A.G. and has continued the ongoing Phase I/II clinical trial for the treatment of intermediate and high grade non-Hodgkin's B-cell Lymphoma ("NHL"). The Company is currently seeking a licensing partner for the Oncolm(R) technology.

The Company operates in two business segments. Pergrine is engaged in the development and commercialization of cancer therapeutics and cancer diagnostics through a series of proprietary platform technologies using monoclonal antibodies. Avid is engaged in providing contract manufacturing of antibodies to biopharmaceutical and biotechnology businesses, including the manufacture of antibodies for Peregrine. Revenues earned by Avid have been insignificant from its inception through April 30, 2002, and its assets represents less than 10% of the assets shown in our consolidated financial statements.

As of August 13, 2002, the Company had $10,002,000 in cash and cash equivalents on hand and cash commitments under signed and executed, noncancelable financing agreements as further explained in Note 14. At January 31, 2003, the Company had $3,932,000 (unaudited) in cash and cash equivalents and current receivables of $1,148,000 (unaudited). The Company has expended substantial funds on the development of its product candidates and for clinical trials and it has incurred negative cash flows from operations for the majority of its years since inception. The Company expects negative cash flows from operations to continue until it is able to generate sufficient revenue from the contract manufacturing services provided by Avid and/or from the licensing or sale of its products under development.

Revenues earned by Avid through April 30, 2002 have been insignificant due to the lengthy product development process that is generally required before a product is manufactured. Revenues earned by Avid during the nine months ended January 31, 2003 amounted to $1,257,000 (unaudited). The Company expects that Avid will continue to generate revenues which should lower consolidated cash flows used in operations, thereby reducing the amount of capital the Company will need to raise from alternative sources. The Company expects that it will continue to need to raise additional capital to provide for its operations, including the anticipated development and clinical trial costs of Cotara(TM), the anticipated development costs associated with Vasopermeation Enhancement Agents ("VEA's") and Vascular Targeting Agents ("VTA's"), and the potential expansion of the Company's manufacturing capabilities.

Assuming the Company does not raise any additional capital from financing activities or from the sale or licensing of its technologies, and further assuming that Avid does not generate any additional revenues beyond its two major active contracts, the Company believes it has sufficient cash on hand to meet its obligations on a timely basis through at least June 2003.

Given the uncertainty of the availability of cash from the capital markets and the existing restrictions and limitations we have for equity or debt financings, the Company is actively exploring various other sources of cash by leveraging its many assets. The transactions being explored by the Company for its technologies include licensing or partnering Cotara(TM), licensing, partnering or the divestiture of Oncolym(R), divesting all radiopharmaceutical based technologies (Oncolym(R), Cotara(TM) (TNT based therapeutic and imaging uses) and VTA based radiopharmaceuticals for therapeutic uses, licensing or partnering the Company's lead VEA clinical candidate, NHS76/PEP and licensing or partnering our various VTA based technologies.

In addition to licensing, partnering or the divestiture of the Company's technologies to raise capital, the Company is also exploring strategic transactions related to its subsidiary, Avid Bioservices, Inc. In this regard, the Company has begun to explore the possibility of selling a portion or all of Avid as a means of raising additional capital. The Company believes that Avid is a valuable asset and would like to maintain a significant ownership in the subsidiary, but there are significant advantages to partnering the Avid subsidiary. Avid needs working and expansion capital to continue growing its customer base to reach profitability. Partnering the facility can help to increase the potential that Avid survives and thrives as a stand alone business and takes advantage of the current business opportunities for biologics contract manufacturing organizations. Partnering or selling Avid can potentially supply the Company and Avid with additional working capital.

There can be no assurances that the Company will be successful in raising sufficient capital on terms acceptable to it, or at all (from either debt, equity or the licensing, partnering or sale of technology assets and/or the sale of some or all of Avid), or that sufficient additional revenues will be generated from Avid or under potential licensing agreements to sustain its operations beyond June 2003. If the Company is unable to generate additional capital in the near term, the Company will be forced to drastically reduce its expenses on a go forward basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Avid Bioservices, Inc. and Vascular Targeting Technologies, Inc. All intercompany balances and transactions have been eliminated.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid, short-term investments with an initial maturity of three months or less to be cash equivalents.

PROPERTY - Property is recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related asset, generally ranging from three to seven years. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term.

IMPAIRMENT - The Company assesses recoverability of its long-term assets by comparing the remaining carrying value to the value of the underlying collateral or the fair market value of the related long-term asset based on undiscounted cash flows.

REVENUE RECOGNITION - Revenues related to licensing agreements (Note 7) are recognized when cash has been received and all obligations of the Company have been met, which is generally upon the transfer of the technology license or other rights to the licensee. Up-front fees from license agreements are generally recognized over the estimated term of the agreement.

Contract manufacturing revenues, which have been insignificant through April 30, 2002, are generally recognized once the service has been provided and all milestones and testing have been completed.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS." The bulletin draws on existing accounting rules and provides specific guidance on how those accounting rules should be applied. Among other things, SAB No. 101 requires that license and other up-front fees from research collaborators be recognized over the term of the agreement unless the fee is in exchange for products delivered or services performed that represent the culmination of a separate earnings process. The Company adopted SAB No. 101 in the fourth quarter of fiscal year 2001 and its adoption had no material impact on the Company's financial position and results of operations.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company's financial instruments consist principally of cash and cash equivalents, receivables, accounts payable, accrued liabilities and notes payable. The Company believes all of the financial instruments' recorded values approximate current values.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS - Net loss per share attributable to common stockholders is calculated by taking the net loss for the year and deducting Class C preferred stock dividends during the year and dividing the sum of these amounts by the weighted average number of shares of common stock outstanding during the year. Because the impact of options, warrants, and other convertible instruments are antidilutive, there is no difference between basic and diluted loss per share amounts for each of the three years in the period ended April 30, 2002.

The Company has excluded the following shares issuable upon the exercise of common stock warrants and options and conversions of outstanding preferred stock and preferred stock dividends from the three years ended April 30, 2002 per share calculation because their effect is antidilutive:

	2002	2001	2000
Common stock equivalent shares assuming issuance of shares represented by outstanding stock options and warrants utilizing the treasury stock method	7,141,459	6,655,325	6,603,433
Common stock equivalent shares assuming issuance of shares upon conversion of preferred stock utilizing the if-converted method	--	--	117,130

The common stock equivalent shares assuming issuance of shares upon conversion of preferred stock was calculated assuming conversion of preferred

---

stock at the beginning of the year or at the issuance date, if later. Additionally, the stock was assumed converted rather than redeemed, as it is the Company's intention not to redeem the preferred stock for cash. The preferred stock is not considered a common stock equivalent.

INCOME TAXES - The Company utilizes the liability method of accounting for income taxes as set forth in Statement of Financial Accounting Standards ("SFAS") No. 109, "ACCOUNTING FOR INCOME TAXES." Under the liability method, deferred taxes are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

STOCK-BASED COMPENSATION - The Company has elected to follow Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" and related interpretations in accounting for its employee stock options and has made certain pro forma disclosures in accordance with the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION."

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB Opinion No. 25, ("FIN 44"), which was effective July 1, 2000. FIN 44 clarifies the application of APB Opinion No. 25 and, among other issues, clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequence of various modifications to the terms of the previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. The application of FIN 44 has not had a material impact on the Company's financial position or results of operations.

RECLASSIFICATION - Certain amounts in the 2001 and 2000 consolidated financial statements have been reclassified to conform to the current year presentation.

RECENT ACCOUNTING PRONOUNCEMENTS - Effective May 1, 2001, the Company adopted Statement of Financial Accounting Standards No.133 ("SFAS No. 133"), ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statements of financial position and measure those instruments at fair value. The adoption of SFAS No. 133 had no impact on the Company's consolidated financial position and results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), BUSINESS COMBINATIONS and No. 142 ("SFAS No. 142"), GOODWILL AND OTHER INTANGIBLE ASSETS. These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life created by business combinations accounted for using the purchase method of accounting. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual review for

---

impairment. The new standards will generally be effective for the Company beginning May 1, 2002 and for purchase business combinations consummated after June 30, 2001. The Company believes that adopting SFAS No. 141 and SFAS No. 142 will not have a material impact on its consolidated financial position and results of operations.

In August 2001, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 ("SFAS No. 143"), ASSET RETIREMENT OBLIGATIONS. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002. The Company believes that adopting SFAS No.143 will not have a material impact on its consolidated financial position and results of operations.

In October 2001, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. SFAS No. 144 replaces SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. The primary objectives of SFAS No. 144 were to develop one accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale and to address significant implementation issues. SFAS No. 144 requires that all long-lived assets, including discontinued operations, be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The standard is effective for fiscal years beginning after December 15, 2001. The Company believes that adopting SFAS No. 144 will not have a material impact on its consolidated financial position and results of operations.

3. NOTES RECEIVABLE

During December 1998, the Company completed the sale and subsequent leaseback of its two facilities (Note 4) and recorded an initial note receivable from the buyer of $1,925,000. In accordance with the related lease agreement, if the Company is in default under the lease agreement, including but not limited to, filing a petition for bankruptcy or failure to pay the basic rent within five (5) days of being due, the note receivable shall be deemed to be immediately satisfied in full and the buyer shall have no further obligation to the Company for such note receivable. Although the Company has made all payments under the lease agreement and has not filed for protection under the laws of bankruptcy, during the quarter ended October 31, 1999, the Company did not have sufficient cash on hand to meet its obligations on a timely basis and was operating at significantly reduced levels. In addition, at that time, if the Company could not raise additional cash by December 31, 1999, the Company would have had to file for protection under the laws of bankruptcy. Due to the uncertainty of the Company's ability to pay its lease obligations on a timely basis, the Company established a 100% reserve for the note receivable in the amount of $1,887,000 as of October 31, 1999. The Company reduces the reserve as payments are received and records the reduction as interest and other income in the accompanying consolidated statement of operations. Due to the uncertainty of the Company's capital resources beyond the next twelve (12) months and its ability to pay its lease obligation beyond the next twelve (12) months, the carrying value of the note receivable approximates its fair value at April 30, 2002. The Company has received all payments through July 2002. The following represents a rollforward of the allowance of the Company's note receivable for the year ended April 30, 2002:

Allowance for note receivable, May 1, 2001	$ 1,813,000
Principal payments received	(53,000)
Allowance for note receivable, April 30, 2002	$ 1,760,000

4. PROPERTY

On December 24, 1998, the Company completed the sale and subsequent leaseback of its two facilities with an unrelated entity. The aggregate sales price of the two facilities was $6,100,000, comprised of $4,175,000 in cash and a note receivable of $1,925,000 (Note 3). In accordance with SFAS No. 98, the Company accounted for the sale and subsequent leaseback transaction as a sale and removed the net book value of land, buildings and building improvements of $7,014,000 from the consolidated financial statements and recorded a loss on sale of $1,171,000, which included selling expenses of $257,000.

5. NOTES PAYABLE

During December 1998, the Company borrowed $200,000 from an unrelated entity. The note, which was unsecured, bore interest at 7.0% per annum and was payable over the three years. The note was paid in full during December 2001.

In addition, the Company has a separate note payable agreement with an aggregate original amount due of $52,000 to finance laboratory equipment. The note bears interest at 10% per annum and requires aggregate monthly payments of $1,000 through June 2002. Minimum future principal payments on the note payable as of April 30, 2002 are $2,000.

6. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE - In December 1998, the Company sold and subsequently leased back its two facilities in Tustin, California. The lease has an original lease term of 12 years with two 5-year renewal options and includes scheduled rental increases of 3.35% every two years. Annual rent expense under the lease agreement totaled $735,000 during fiscal years 2002, 2001 and 2000.

At April 30, 2002, future minimum lease payments and sublease income under non-cancelable operating leases are as follows:

Year ending April 30:	Minimum Lease Payments	Sublease Income	Net Lease Payments
2003	$ 707,000	$ (209,000)	$ 498,000
2004	721,000	(37,000)	684,000
2005	731,000	--	731,000
2006	745,000	--	745,000
2007	756,000	--	756,000
Thereafter	2,877,000	--	2,877,000
	$ 6,537,000	$ (246,000)	$ 6,291,000

RENTAL INCOME - The Company currently subleases portions of its unused space. Sublease rental income totaled $325,817, $257,461 and $22,236 for fiscal years 2002, 2001 and 2000, respectively.

7. LICENSE, RESEARCH AND DEVELOPMENT AGREEMENTS

ONCOLYM(R)

Oncolym(R) is the registered trade name for the most advanced LYM-1 antibody. In 1985, the Company entered into a research and development agreement, as amended in August 1999, with Northwestern University and its researchers to develop the LYM antibodies. The Company holds an exclusive world-wide license to manufacture and market products using the Oncolym(R) antibodies. In exchange for the world-wide license to manufacture and market the products, the Company will pay Northwestern University a royalty on net sales.

On March 8, 1999, the Company entered into a License Agreement with Schering A.G. whereby Schering A.G. was granted the exclusive, worldwide right to market and distribute Oncolym(R) products, in exchange for an initial payment of $3,000,000 and future milestone payments plus a royalty on net sales. The initial up-front payment of $3,000,000 received during fiscal year 1999 is included in deferred license revenue in the accompanying consolidated financial statements at April 30, 2001. During June 2000, the Company and Schering A.G. entered into an amendment to the License Agreement ("the Amendment") whereby Schering A.G. agreed to pay for 100% of the Oncolym(R) clinical development expenses, excluding drug related costs, for the Phase I/II clinical trial. In exchange for this commitment, the Company agreed to transfer $1,300,000 of its common stock to Schering A.G. as defined in the Amendment. During June 2001, the Company assumed the rights previously licensed to Schering A.G. and recognized deferred license revenue of $3,000,000 upon termination of the agreement, which is included in license and other revenue in the accompanying consolidated financial statements for the year ended April 30, 2002. The Company has continued the Phase I/II clinical trial established by Schering A.G. and is responsible for all costs of the trial.

In November 1997, the Company entered into a Termination and Transfer Agreement with Alpha Therapeutic Corporation, whereby the Company reacquired the rights for the development, commercialization and marketing of Oncolym(R) in the

---

United States and certain other countries, previously granted to Alpha in October 1992. The Company has contingent obligations due upon filing of a Biologics License Application ("BLA") and upon FDA approval of a BLA by the Food and Drug Administration plus a royalty on net sales for product sold in North, South and Central America and Asia for five (5) years after commercialization of the product. No amounts were due or payable at April 30, 2002 under the Termination and Transfer Agreement.

On October 28, 1992, the Company entered into an agreement with an unrelated corporation (licensee) to terminate a previous license agreement relating to Oncolym(R). The termination agreement provides for aggregate maximum payments of $1,100,000 to be paid by the Company based on achievement of certain milestones, including royalties on net sales. As of April 30, 2002, the Company had paid $100,000 and accrued for an additional $100,000 relating to the termination agreement.

TUMOR NECROSIS THERAPY (COTARA(TM))

The Company acquired the rights to the TNT technology in July 1994 after the merger between Peregrine and Cancer Biologics, Inc. was approved by the shareholders. The assets of Cancer Biologics, Inc. acquired by the Company consisted primarily of patent rights to the TNT technology.

During October 2000, the Company entered into a licensing agreement with Merck KGaA to license a segment of its TNT technology for use in the application of cytokine fusion proteins. Under the terms of the licensing agreement, the Company will receive up-front payments of up to $400,000 upon the satisfaction of certain conditions set forth in the agreement, of which, the Company received $50,000 in November 1999. The Company will also receive a royalty on net sales, as defined in the agreement, upon the commencement of commercial sales.

In February 1996, the Company entered into a joint venture agreement with Cambridge Antibody Technology, Inc. ("CAT"), an unrelated entity, which provides for the co-sponsorship of development and clinical testing of chimeric and human TNT antibodies. In May 1998, the Company and CAT elected to discontinue the co-sponsorship of the development of the TNT antibodies and the Company assumed full responsibility to fund development and clinical trials of the TNT antibody. The Company and CAT are currently in negotiations regarding modifications to the joint venture arrangement.

The Company has arrangements with certain third parties to acquire licenses needed to produce and commercialize chimeric and human antibodies, including the Company's TNT antibody. Management believes the terms of the licenses will not significantly impact the cost structure or marketability of chimeric or human TNT based products.

VASCULAR TARGETING AGENTS

During August 2001, the Company entered into two exclusive worldwide licenses for two new pre-clinical compounds from the University of Texas Southwestern Medical Center. These two new compounds, classified as "naked" (non-conjugated) Vascular Targeting Agents, add to Peregrine's anti-cancer platform technologies in the anti-angiogenesis and vascular targeting agent fields. Under these license agreements, the Company paid an up-front license

---

fee, which was included in research and development expenses, and is obligated to pay future milestone payments based on development progress, plus a royalty on net sales.

During February 2001, the Company completed a licensing deal with SuperGen, Inc. ("SuperGen") to license a segment of its VTA technology, specifically related to Vascular Endothelial Growth Factor ("VEGF"). Under the terms of the licensing agreement, SuperGen purchased 150,000 shares of the Company's common stock at $4.00 per share for total proceeds to the Company of $600,000. The Company also receives an annual license fee of $200,000 until SuperGen files an Investigational New Drug Application in the United States utilizing the VEGF technology. The Company recorded $200,000 as license revenue in February 2002 since SuperGen did not file an Investigational New Drug Application on the anniversary date of the agreement, which amount was received in June 2002. In addition, the Company could receive additional milestone payments based on the development success, plus receive a royalty on net sales of all drugs commercialized by SuperGen utilizing the VEGF technology. The Company could also receive additional consideration for each clinical candidate that enters a Phase III clinical trial by SuperGen.

During August 2000, the Company entered into a licensing agreement with Scotia Pharmaceuticals Limited ("Scotia") to license a segment of its VTA technology, specifically related to targeting Photodynamic Therapy agents ("PDT"), for the worldwide exclusive rights to this area. Under the terms of the agreement, the Company received an up-front payment of $500,000 in April 2000, which was originally being recognized over a four-year period based on the terms of the agreement. During January 2001, the agreement automatically terminated as Scotia announced that it has been placed into Administration (Receivership/Bankruptcy) as ordered by a court in London. During fiscal year 2001, the Company recognized the remaining unamortized up-front payment, which is included in license revenue in the accompanying consolidated financial statements at April 30, 2001.

During May 2000, the Company entered into a joint venture with Oxigene, Inc. ("Oxigene"). The Company and Oxigene named the new entity Arcus Therapeutics, LLC ("Arcus"). Under the terms of the joint venture agreement, the Company has agreed to supply its VTA intellectual property to the joint venture while Oxigene has paid the Company a non-refundable $1,000,000 license fee, which was received in May 2000 and will be amortized as license revenue over a two year period, purchased $2,000,000 of the Company's common stock (Note 8) and agreed to (i) provide its next generation tubulin-binding compounds (ii) spend up to $20,000,000 to fund the development expenses of the joint venture based on its development success and (iii) pay the Company a $1,000,000 up-front license fee and subscribe to an additional $1,000,000 in common stock of the Company upon filing an Investigational New Drug Application ("IND") for the first clinical candidate developed. During February 2002, the Company entered into a Plan and Agreement of Liquidation with Oxigene to dissolve Arcus. Under the terms of the Plan and Agreement of Liquidation, the Company paid Oxigene $2,000,000 in cash, which the Company charged to operations as purchased in-process research and development in the accompanying consolidated financial statements during the year ended April 30, 2002, as the related technology has not reached technological feasibility. In exchange, the Company has reacquired full rights and interest to the Vascular Targeting Agent platform it contributed to the joint venture, as well as any new discoveries to its contributed technology. During February 2002, the Company recognized the remaining unamortized up-front license fee, which is included in license and other revenue in the accompanying consolidated financial statements for the year ended April 30, 2002.

In April 1997, in conjunction with the acquisition of Vascular Targeting Technologies, Inc. (formerly known as Peregrine Pharmaceuticals, Inc.), the Company gained access to certain exclusive licenses for Vascular Targeting Agents ("VTAs") technologies. In conjunction with obtaining these exclusive licenses, the Company will be required to pay annual patent maintenance fees of $50,000 plus milestone payments and future royalties on net sales to various universities. No product revenues have been generated from the Company's VTA technology.

VASOPERMEATION ENHANCEMENT AGENTS AND OTHER LICENSES

During February 2000, the Company entered into an exclusive worldwide licensing transaction with the University of Southern California for its Permeability Enhancing Protein ("PEP") in exchange for an up-front payment plus future milestone payments and a royalty on net sales based on development success. The PEP technology is a piece of the Company's Vasopermeation Enhancing Agent ("VEA") technology, which is designed to increase the uptake of chemotherapeutic agents into tumors. PEP is designed to be used in conjunction with the VEA technology platform.

Prior to fiscal year 1996, the Company entered into several license and research and development agreements with a university for the exclusive, worldwide licensing rights to use certain patents and technologies in exchange for fixed and contingent payments and royalties on net sales of the related products. Minimum future royalties under these agreements are $84,500 annually. Royalties related to these agreements amounted to $84,500 for fiscal years 2002, 2001 and 2000.

8. STOCKHOLDERS' EQUITY

CLASS C PREFERRED STOCK

On April 25, 1997, the Company entered into a 5% Preferred Stock Investment Agreement and sold 12,000 shares of 5% Adjustable Convertible Class C Preferred Stock (the Class C Stock) for net proceeds of $11,069,000. Dividends on the Class C Stock are payable quarterly in shares of Class C Stock or, at the option of the Company, in cash, at the rate of 5% per annum. The Class C Stock is convertible, at the option of the holder, into a number of shares of common stock of the Company determined by dividing $1,000 plus all accrued but unpaid dividends by the Conversion Price. The Conversion Price is the lower of $0.5958 ("Conversion Cap") per share or the average of the lowest trading price of the Company's common stock for the five consecutive trading days ending with the trading day prior to the conversion date reduced by a discount of 27%. During fiscal year 2000, the remaining 121 shares of Class C Stock were converted into 312,087 shares of common stock.

In accordance with the 5% Preferred Stock Investment Agreement, upon conversion of the Class C Stock into common stock, the preferred stockholders were granted warrants to purchase one-fourth of the number of shares of common stock issued upon conversion. The warrants are exercisable at $0.6554, or 110% of the Conversion Cap and expire in April 2002. No value has been ascribed to these warrants, as the warrants are considered non-detachable. During fiscal year 2000, warrants to purchase 78,201 shares of common stock were issued upon conversion of 121 shares of Class C Stock. During fiscal year ended April 30, 2000, 63,537 warrants were exercised on a combined cash and cashless basis in exchange for 63,537 shares of common stock and net proceeds to the Company of $42,000. During April 2002, 49,908 Class C warrants expired unexercised. There were no Class C warrants outstanding as of April 30, 2002.

COMMON STOCK EQUITY LINE AGREEMENT

During June 1998, the Company secured access to a Common Stock Equity Line ("Equity Line") with two institutional investors, as amended on June 2, 2000 (the "Amendment"). Under the Amendment, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's common stock until all common shares previously registered under the Equity Line have been exhausted. During September 2001, the Company issued all available shares under the Equity Line and therefore, the Equity Line was immediately terminated. In addition, at the time of each Put, the investors were issued warrants, which are immediately exercisable on a cashless basis only and expire through December 31, 2005, to purchase up to 15% of the amount of common stock issued to the investors at the same price as the shares of common stock sold in the Put.

In accordance with Emerging Issues Task Force Issue No. 96-13, ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS, contracts that require a company to deliver shares as part of a physical settlement should be measured at the estimated fair value on the date of the initial Put. The Equity Line solely requires settlement to be made with shares of the Company's common stock. As such, the Company had an independent appraisal performed to determine the estimated fair market value of the various financial instruments included in the Equity Line and recorded the related financial instruments as reclassifications between equity categories. Reclassifications were made for the estimated fair market value of the warrants issued and estimated Commitment Warrants to be issued under the Equity Line of $1,140,000 and the estimated fair market value of the reset provision of the Equity Line of $400,000 as additional consideration and have been included in the accompanying consolidated financial statements. The above recorded amounts were offset by $700,000 related to the restrictive nature of the common stock issued under the initial Put in June 1998 and the estimated fair market value of the Equity Line Put option of $840,000.

During January 2001, the Emerging Issues Task Force ("EITF") issued EITF No. 00-19, ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS INDEXED TO, AND POTENTIALLY SETTLED IN, THE COMPANY'S OWN STOCK, which reached a consensus on the application of EITF No. 96-13. In accordance with EITF No. 00-19, the Equity Line contract remains recorded as permanent equity and recorded at fair value as of the date of the transaction. EITF No. 00-19 is effective for all transactions entered into after September 20, 2000. As of April 30, 2002, EITF No. 00-19 had no impact on the Company's consolidated financial position and results of operations.

During fiscal years 2002, 2001 and 2000, the Company received gross proceeds of $5,526,000, $10,200,000 and $8,838,000 in exchange for 5,039,203, 5,212,564 and 9,532,559 shares of common stock under the Equity Line, respectively, including commission shares. On April 15, 1999 and July 15, 1999, the Company issued an additional 881,481 and 179,485 shares of common stock covering the initial three and six month adjustment dates as defined in the agreement, respectively. There are no future reset provisions under the Equity Line.

At the time of each Put, the investors were issued warrants, exercisable only on a cashless basis to purchase up to 10%, (increased to 15% under the Amendment) of the amount of common stock issued to the investor at the same price as the purchase of the shares sold in the Put. During fiscal years 2002, 2001 and 2000, the Company issued 732,970, 654,630 and 953,246 warrants under the Equity Line, respectively, including commission warrants. During fiscal years 2002, 2001 and 2000, the Company issued 216,435, 9,801 and 985,265 shares of common stock upon the cashless exercise of 79,512, 42,413 and 1,216,962 Equity Line warrants, respectively. As of April 30, 2002, the Company had outstanding warrants to purchase up to 1,397,537 shares of common stock under the Equity Line.

Placement agent fees under each draw of the Equity Line are issued to Dunwoody Brokerage Services, Inc., which are equal to 10% of the common shares (commission shares) and warrants (commission warrants) issued to the institutional investors plus an overall cash commission equal to 7% of the gross draw amount. Mr. Eric Swartz, a member of the Board of Directors, maintains a contractual right to 50% of the shares and warrants issued under the Equity Line. During the fiscal years ended April 2002, 2001 and 2000, Dunwoody Brokerage Services, Inc. was issued 458,109, 475,417, and 866,594 shares of common stock, respectively, and was paid cash commissions of $387,000, $714,000, and $619,000 during the same three years, respectively. The Equity Line was consummated in June 1998 when Mr. Swartz had no Board affiliation with the Company.

FINANCING UNDER SHELF REGISTRATION STATEMENT

On November 14, 2001, the Company filed a registration statement on Form S-3, File Number 333-71086 (the "Shelf") which was declared effective by the Securities and Exchange Commission, allowing the Company to issue, from time to time, in one or more offerings, (i) up to 10,000,000 shares of its common stock, and (ii) warrants to purchase up to 2,000,000 shares of its common stock. The common stock and warrants may be offered and sold separately or together in one or more series of issuances.

Under the Shelf, during November 2001, the Company received $5,750,000 under a Common Stock Purchase Agreement in exchange for 5,750,000 shares of its common stock and warrants to purchase up to 1,725,000 shares of common stock at an exercise price of $1.00 per share. The warrants can be exercised on a cash basis only. Mr. Eric Swartz, a Director of the Company, invested $500,000 of the total amount in exchange for 500,000 shares of the Company's common stock and warrants to purchase up to 150,000 shares of common stock at an exercise price of $1.00. The fair value of the warrants was based on a Black-Scholes valuation model after considering terms in the related warrant agreements. In connection with the offering, the Company paid a fee to the placement agent equal to five percent (5%) of the number of shares issued to certain of the investors, or 200,000 shares.

Under the same Shelf, during January 2002, the Company received $2,200,000 under a Common Stock Purchase Agreement in exchange for 1,100,000 shares of its common stock and warrants to purchase up to 275,000 shares of common stock at an exercise price of $2.00 per share. The warrants can be exercised on a cash basis only. The fair value of the warrants was based on a Black-Scholes valuation model after considering terms in the related warrant agreements. In connection with the offering, the Company paid a fee to the placement agent equal to five percent (5%) of the number of shares issued to certain of the investors, or 50,000 shares.

OTHER EQUITY TRANSACTIONS

During June 2000, the Company issued 518,672 shares of common stock to Schering A.G. in exchange for Schering A.G.'s commitment to pay for 100% of the Oncolym(R) clinical development expenses, excluding drug related costs, for the Phase I/II clinical trial, in accordance with the amended License Agreement dated March 8, 1999 (Note 7).

On November 19, 1999, in consideration of a commitment by Swartz Private Equity, LLC ("SPE") to fund a $35,000,000 equity line financing over a three year term, the Company issued SPE a five-year warrant to purchase up to 750,000 shares of the Company's common stock at an initial exercise price of $0.46875 per share ("Commitment Warrant") subject to reset provisions as defined in the agreement. This agreement was entered into and approved by the previous Board of Directors. Mr. Eric Swartz, a member of the Board of Directors, maintains a 50% ownership in SPE. The Company utilized the Black-Scholes valuation model to calculate the fair value of the warrant, which was recorded as stock-based compensation in the accompanying consolidated financial statements. As of April 30, 2002, warrants to purchase up to 699,000 shares of common stock were outstanding under the Commitment Warrant.

During fiscal year 2000, the Company issued an aggregate of 739,333 shares of common stock under a severance agreement.

During fiscal year 2000, the Company issued 334,771 shares of its common stock to various unrelated entities in exchange for services rendered. The issuance of shares of common stock in exchange for services were recorded based on the more readily determinable value of the services received or the fair value of the common stock issued.

During fiscal year 2000, the Company received principal payments aggregating $307,000 plus accrued interest on notes receivable from the sale of common stock. The notes were paid in full and were due from a former officer and a former director of the Company.

In accordance with the Company's option plans and warrant agreements, the Company has reserved approximately 21,246,000 shares of its common stock at April 30, 2002 for future issuance, as follows:

	Number of shares reserved
Options issued and outstanding	10,056,000
Warrants issued and outstanding	11,190,000
Total shares reserved	21,246,000

9. STOCK OPTIONS AND WARRANTS

The Company has two incentive stock option plans with outstanding options as of April 30, 2002. The plans were adopted or assumed in conjunction with a merger in April 1995 ("CBI Plan") and September 1996 ("1996 Plan"). The plans provide for the granting of options to purchase shares of the Company's common stock at prices not less than the fair market value of the stock at the date of grant and generally expire ten years after the date of grant.

The 1996 Plan originally provided for the issuance of options to purchase up to 4,000,000 shares of the Company's common stock. The number of shares for which options may be granted under the 1996 Plan automatically increases for all subsequent common stock issuances by the Company in an amount equal to 20% of such subsequent issuances up to a maximum of 10,000,000 options as long as the total shares allocated to the 1996 Plan do not exceed 20% of the Company's authorized stock. As a result of issuances of common stock by the Company subsequent to the adoption of the 1996 Plan, the number of shares for which options may be granted has increased to 10,000,000. Options granted generally vest over a period of four years with a maximum term of ten years.

In addition, during fiscal year 2002, 2001 and 2000, the Company granted 1,634,833, 700,000 and 1,500,000 non-qualified stock options, respectively, which have not been registered under the above plans.

During June 2002, the Company adopted a non-qualified stock option plan ("2002 Plan") for the issuance of up to 3,000,000 options. The fiscal 2002 and 2001 non-qualified option grants totaling 2,334,833 options have been included in the 2002 Plan and 665,167 options remain available for future grant under the 2002 Plan. The 2002 Plan provides for the granting of options to purchase shares of the Company's common stock at prices not less than the fair market value of the stock at the date of grant and generally expire ten years after the date of grant.

Option activity for all option plans for each of the three years ended April 30, 2002 is as follows:

	2002		2001		2000	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE, Beginning of year	7,795,402	$1.03	7,614,029	$1.42	6,387,667	$1.00
Granted	2,853,440	$1.58	1,127,000	$2.09	8,326,603	$1.41
Exercised	(535,760)	$0.66	(94,878)	$0.35	(3,569,001)	$0.93
Canceled	(57,555)	$1.43	(850,749)	$6.00	(3,531,240)	$1.15
BALANCE, End of year	10,055,527	$1.20	7,795,402	$1.03	7,614,029	$1.42

Additional information regarding options outstanding as of April 30, 2002 is as follows:

	Options Outstanding			Options Exercisable	
RANGE OF PER SHARE EXERCISE PRICES	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE PER SHARE EXERCISE PRICE	NUMBER OF SHARES EXERCISABLE	WEIGHTED AVERAGE PER SHARE EXERCISE PRICE
$ 0.34 - $ 0.34	2,782,314	7.65	$ 0.34	1,432,028	$ 0.34
$ 0.50 - $ 1.28	4,152,813	6.66	$ 1.02	2,744,696	$ 0.94
$ 1.38 - $ 3.69	2,929,400	8.39	$ 2.08	1,066,987	$ 2.03
$ 3.81 - $ 5.28	191,000	8.15	$ 4.21	56,250	$ 4.46
$ 0.34 - $ 5.28	10,055,527	7.46	$ 1.20	5,299,961	$ 1.04

At April 30, 2002, options to purchase 54,866 shares were available for grant under the Company's 1996 Plan. There are no remaining shares available for grant under the CBI Plan.

Stock-based compensation expense recorded during each of the three years in the periods ended April 30, 2002 primarily relates to stock option grants made to consultants and has been measured utilizing the Black-Scholes option valuation model. Stock-based compensation expense recorded during fiscal year 2002, 2001 and 2000 amounted to $747,000, $1,581,000, and $1,438,000, respectively, and is being amortized over the estimated period of service or related vesting period.

The Company utilizes the guidelines in Accounting Principles Board Opinion No. 25 for measurement of stock-based transactions for employees. Had the Company used a fair value model for measurement of stock-based transactions for employees under Financial Accounting Standards Board Statement No. 123 and amortized the expense over the vesting period, pro forma information would be as follows:

	2002	2001	2000
Net loss applicable to common stock, as reported	$ (11,718,000)	$ (9,535,000)	$ (14,516,000)
Net loss applicable to common stock, pro forma	$ (13,601,000)	$ (10,526,000)	$ (16,645,000)
Net loss per share, as reported	$ (0.11)	$ (0.10)	$ (0.18)
Net loss per share, pro forma	$ (0.13)	$ (0.11)	$ (0.21)

The fair value of the options granted in fiscal years 2002, 2001 and 2000 were estimated at the date of grant using the Black-Scholes option pricing model, assuming an average expected life of approximately four years, a risk-free interest rate ranging from 4.20% to 6.39% and a volatility factor ranging from 117% to 172%. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock volatility. Because the Company's options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair values estimated, in the opinion of management, the existing models do not necessarily provide a reliable measure of the fair value of its options. The weighted average estimated fair value in excess of the grant price for employee stock options granted during fiscal years 2002, 2001, and 2000 was $1.53, $2.23, and $0.70, respectively.

As of April 30, 2002, warrants to purchase an aggregate of 11,189,737 shares of the Company's common stock were outstanding. The warrants are exercisable at prices ranging between $0.24 and $5.00 per share with an average exercise price of $1.99 per share and expire at various dates through December 31, 2005. The value of the warrants was based on a Black-Scholes formula after considering terms in the related warrant agreements.

10. INCOME TAXES

The provision for income taxes consists of the following for the three years ended April 30, 2002:

	2002	2001	2000
Provision for federal income taxes at statutory rate	$(3,984,000)	$(3,242,000)	$(4,935,000)
Other	12,000	(2,000)	5,000
Stock-based compensation	(108,000)	--	--
State income taxes, net of federal benefit	(352,000)	(286,000)	(435,000)
Expiration of tax credits and carryforwards	350,000	332,000	211,000
Change in valuation allowance	4,082,000	3,198,000	5,154,000
Provision	$ --	$ --	$ --

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of the Company's deferred tax assets at April 30, 2002 and 2001 are as follows:

	2002	2001
Net operating loss carryforwards	$ 29,168,000	$ 25,366,000
Stock-based compensation	1,784,000	1,736,000
General business and research and development credits	118,000	118,000
Deferred revenue	--	1,295,000
Accrued license note payable	1,443,000	--
Accrued liabilities	967,000	883,000
	33,480,000	29,398,000
Less valuation allowance	(33,480,000)	(29,398,000)
Net deferred taxes	$ --	$ --

At April 30, 2002, the Company and its subsidiaries have federal net operating loss carryforwards of $80,765,000 and tax credit carryforwards of $118,000. During fiscal year 2002 and 2001, net operating loss carryforwards of $586,000 and $349,000 expired, respectively, with the remaining net operating losses expiring through 2022. The net operating losses of $2,986,000 applicable to its subsidiary can only be offset against future income of its subsidiary. The tax credit carryforwards generally expire in 2008 and are available to offset future taxes of the Company or its subsidiary.

Due to ownership changes in the Company's common stock, there will be limitations on the Company's ability to utilize its net operating loss carryforwards in the future. The impact of the restricted amount has not been calculated as of April 30, 2002.

11. RELATED PARTY TRANSACTIONS

During November 2001, Mr. Eric Swartz, a Director of the Company, invested $500,000 under the Shelf in exchange for 500,000 shares of the Company's common stock and warrants to purchase up to 150,000 shares of common stock at an exercise price of $1.00 (Note 8).

On December 29, 1999, Swartz Investments, LLC and BTD agreed to provide interim funding to the Company for up to $500,000 to continue the operations of the Company and to avoid the Company from filing for protection from its creditors. During this period of time, the closing stock price was $0.41 per share, the Company had a minimal amount of cash on hand, significant payables to vendors and patent attorneys, and the Company was near a time of being delisted from The NASDAQ Stock Market. During January 2000, the Company entered into the final agreement, a Regulation D Subscription Agreement, whereby the Company received $500,000 in exchange for an aggregate of 2,000,000 shares of common stock and issued warrants to purchase up to 2,000,000 shares of common stock at $0.25 per share. Mr. Eric Swartz, a member of the Board of Directors, maintains a 50% ownership in Swartz Investments, LLC. BTD is controlled by Mr. Edward J. Legere, who is also a member of the Board of Directors and is the President and Chief Executive Officer of the Company.

During September 1995, the Company entered into an agreement with Cancer Therapeutics, Inc. whereby the Company granted to Cancer Therapeutics, Inc. the exclusive right to sublicense TNT to a major pharmaceutical company solely in the People's Republic of China for a period of 10 years, subject to the major pharmaceutical company obtaining product approval within 36 months. In exchange for this right, the major pharmaceutical company would be required to fund not less than $3,000,000 for research and development expenses of Cancer Therapeutics related to Tumor Necrosis Therapy ("TNT") and the Company would retain exclusive rights to all research, product development and data outside of the People's Republic of China. The technology was then sublicensed to Shanghai Brilliance Pharmaceuticals, Inc. ("Brilliance"). In addition, the Company is entitled to receive 50% of all revenues received by Cancer Therapeutics with respect to its sublicensing of TNT to Brilliance. Cancer Therapeutics has the right to 20% of the distributed profits from Brilliance. During March 2001, the Company extended the exclusive licensing period granted to Cancer Therapeutics, which now expires on December 31, 2016. Dr. Clive Taylor, a member of the Company's Board of Directors, owns 26% of Cancer Therapeutics and is an officer and director of Cancer Therapeutics. Dr. Taylor has abstained from voting at meetings of the Company's board of directors on any matters relating to Cancer Therapeutics or Brilliance. Through fiscal year ended April 30, 2002, Cancer Therapeutics has not derived any revenues from its agreement with Brilliance.

12. BENEFIT PLAN

During fiscal year 1997, the Company adopted a 401(k) benefit plan (the "Plan") for all employees who are over age 21, work at least 24 hours per week and have three or more months of continuous service. The Plan provides for employee contributions of up to a maximum of 15% of their compensation or $11,000. The Company made no matching contributions to the Plan since its inception.

13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial information for each of the two most recent fiscal years is as follows:

	Quarter Ended							
	APRIL 30, 2002	JANUARY 31, 2002	OCTOBER 31, 2001	JULY 31, 2001	APRIL 30, 2001	JANUARY 31, 2001	OCTOBER 31, 2000	JULY 31, 2000
License and Other Revenue	$ 391,000	$ 125,000	$ 125,000	$ 3,125,000	$ 562,000	$ 156,000	$ 156,000	$ 105,000
Net Gain / (Loss) ...	$(5,701,000)	$(3,710,000)	$(3,026,000)	$ 719,000	$(2,263,000)	$(2,648,000)	$(2,567,000)	$(2,057,000)
Net Gain / (Loss) Applicable to Common Stock	$(5,701,000)	$(3,710,000)	$(3,026,000)	$ 719,000	$(2,263,000)	$(2,648,000)	$(2,567,000)	$(2,057,000)
Basic and Diluted Loss Per Share	$ (0.06)	$ (0.03)	$ (0.03)	$ 0.01	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.02)

14. SUBSEQUENT EVENTS

On August 9, 2002, the Company entered into a private placement with four investors under a Securities Purchase Agreement ("SPA"), whereby the Company issued Convertible Debentures ("Debenture") for gross proceeds to be received of $3,750,000. Under the signed and executed terms of the SPA, the proceeds must be received by the Company no later than one business day following the filing of this Annual Report on Form 10-K. The Debenture earns interest at a rate of 6% per annum payable in cash semi-annually each June 30th and December 31st, and mature in August 2005. Under the terms of the Debenture, the principal amount is convertible, at the option of the holder, into a number of shares of common stock of the Company calculated by dividing the unpaid principal amount of the Debenture by the initial conversion price of $0.85 per share ("Conversion Price"). If the Company enters into any financing transactions within 18 months following the date the registration statement is declared effective by the Securities & Exchange Commission at a per share price less than the Conversion Price, the Conversion Price will be reset to the lower price for all outstanding Debentures. The Debenture is secured by generally all assets of the Company. Under the SPA, each Debenture holder was granted a warrant equal to 75% of the quotient obtained by dividing the principal amount of the Debentures by the Conversion Price or an aggregate of approximately 3,309,000 warrants. The warrants have a 4-year term and are exercisable 6 months after the date of issuance at an exercise price of $0.75 per share. If the

---

Company defaults under the provisions of the SPA, as defined in the agreement, which includes but is not limited to, the default of an interest payment and the inability to have an effective registration statement covering the resale of common shares upon conversion declared effective within 150 days of the agreement date, the principal amount of the Debenture becomes immediately due and payable.

Under the same SPA, the Company agreed to sell an aggregate of approximately 1,923,000 shares of common stock to two investors for gross proceeds of $1,250,000. In conjunction with the private placement, the Company issued warrants to purchase up to an aggregate of approximately 1,442,000 shares of common stock. The warrants have a four year term and are exercisable six months after the date of issuance at an exercise price of $0.71 per share. In addition, if the Company enters any financing transaction within 18 months following the date the registration statement is declared effective by the Securities & Exchange Commission at a per share price less than the purchase price of $0.65 per share ("Adjusted Price"), then, after shareholder approval, each investor will receive an adjustment warrant equal to (1) the number of common shares that would have been issued to such investor on the closing date at the Adjusted Price less (2) the number of common shares actually issued to such investor on the closing date. The adjustment warrant is priced at an exercise price $0.001 per share and shall expire four years from the closing date as defined in the SPA.

Also on August 9, 2002, the Company agreed to sell approximately 3,298,000 shares of common stock at a negotiated price of $0.65 per share in exchange for gross proceeds of $2,144,000 to one investor. In conjunction with this offering, the Company issued a warrant to purchase up to approximately 4,649,000 shares of common stock. The warrants have a four year term and are exercisable six months after the date of issuance at an exercise price of $0.71 per share. In addition, if the Company enters any financing transaction within 18 months following the date the registration statement is declared effective by the Securities & Exchange Commission at a per share price less than the purchase price of $0.65 per share ("Adjusted Price"), then, after shareholder approval, each investor will receive an adjustment warrant equal to (1) the number of common shares that would have been issued to such investor on the closing date at the Adjusted Price less (2) the number of common shares actually issued to such investor on the closing date. The adjustment warrant is priced at an exercise price $0.001 per share and shall expire four years from the closing date as defined in the SPA.

On August 13, 2002, the Company signed an agreement to sell 2,900,000 shares of its common stock for gross proceeds of $1,856,000 under its Shelf as described in (Note 8). There were no warrants issued in connection with this transaction.

Estimated maximum placement agent fees under all agreements entered into during August 2002 amounted to $800,000 and will be paid in cash from the gross proceeds to be received. Final placement agent fees have not been determined as of August 13, 2002.

PEREGRINE PHARMACEUTICALS, INC. SCHEDULE II

VALUATION OF QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2002

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
Valuation reserve for note and other receivables for the year ended April 30, 2000	$ 201,000	$ 1,977,000	$ (23,000)	$ 2,155,000
Valuation reserve for note and other receivables for the year ended April 30, 2001	$ 2,155,000	$ --	$ (342,000)	$ 1,813,000
Valuation reserve for note and other receivables for the year ended April 30, 2002	$ 1,813,000	$ 25,000	$ (53,000)	$ 1,785,000

EXHIBIT 21

PEREGRINE PHARMACEUTICALS, INC.
SUBSIDIARIES OF REGISTRANT

During January 2002, the Company announced the formation of Avid Bioservices, Inc., a wholly-owned subsidiary of Peregrine Pharmaceuticals, Inc.

On April 24, 1997, the Company acquired its wholly-owned subsidiary, Vascular Targeting Technologies, Inc. (formerly known as Peregrine Pharmaceuticals, Inc.).

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-57046, 2-85628, 33-15102, 33-87662, 33-87664, and 333-17513; Form S-3 No. 333-63777, 333-63773, 333-65125, 333-40716, 333-66350 and 333-71086) of Peregrine Pharmaceuticals, Inc. of our report dated June 21, 2002 (except for Note 14, as to which the date is August 13, 2002 and Note 1, as to which the date is March 19, 2003) with respect to the consolidated financial statements and schedule of Peregrine Pharmaceuticals, Inc. included in the Annual Report (Form 10-K/A Amendment No. 2) for the year ended April 30, 2002.

/s/ ERNST & YOUNG LLP

Orange County, California
March 19, 2003

EXHIBIT 99.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Peregrine Pharmaceuticals, Inc. (the "Company") on Form 10-K/A Amendment No. 2, for the fiscal year ended April 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven W. King, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of the Company.

By: /s/ Steven W. King

Name: Steven W. King
Title: President and Chief Executive Officer

In connection with the Annual Report of Peregrine Pharmaceuticals, Inc. (the "Company") on Form 10-K/A Amendment No. 2, for the fiscal year ended April 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. Lytle, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of the Company.

By: /s/ Paul J. Lytle

Name: Paul J. Lytle
Title: Chief Financial Officer