UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For The Fiscal Year Ended April 30, 2008

PEREGRINE PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

Title of Class	**Name of Each Exchange on Which Registered**
Common Stock ($0.001 par value) Preferred Stock Purchase Rights	The Nasdaq Stock Market LLC

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

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

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

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

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 or any amendment to this Form 10-K. ☐

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

The approximate aggregate market value of voting stock held by non-affiliates of the registrant was $136,173,000 as of October 31, 2007.[(1)]

226,210,617

(Number of shares of common stock outstanding as of July 10, 2008)

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates certain information by reference from the registrant's proxy statement for the annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended April 30, 2008.

(1) Excludes 2,976,758 shares of common stock held by directors and officers, and any stockholder whose ownership exceeds five percent of the shares outstanding as of October 31, 2007.

PEREGRINE PHARMACEUTICALS, INC.

FORM 10-K ANNUAL REPORT
FISCAL YEAR ENDED APRIL 30, 2008

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PART I

In this Annual Report, the terms "we", "us", "our", "Company" and "Peregrine" refer to Peregrine Pharmaceuticals, Inc., and our wholly owned subsidiary, Avid Bioservices, Inc. This Annual Report contains forward-looking statements that involve risks and uncertainties. The inclusion of forward-looking statements should not be regarded as a representation by us or any other person that the objectives or plans will be achieved because our actual results may differ materially from any forward-looking statement. The words "may," "should," "plans," "believe," "anticipate," "estimate," "expect," their opposites and similar expressions are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. We caution readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements, including but not limited to, those risk factors outlined in the section titled "Risk Factors" as well as those discussed elsewhere in this Annual Report. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Annual Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports that we file from time to time with the Securities and Exchange Commission ("SEC") after the date of this Annual Report.

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at www.peregrineinc.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on, or that can be accessed through, our website is not part of this Annual Report.

Certain technical terms used in the following description of our business are defined in the "Glossary of Terms".

In addition, we own or have rights to the registered trademark Cotara® and Avid Bioservices, Inc. All other company names, registered trademarks, trademarks and service marks included in this Annual Report are trademarks, registered trademarks, service marks or trade names of their respective owners.

Item 1. BUSINESS

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 studied in two separate clinical trial programs for the treatment of various solid tumors and HCV infection. We have completed a Phase Ib cancer trial assessing the safety and anti-tumor activity of bavituximab administered in combination with chemotherapy in patients with solid cancers and announced top-line results in May 2007. Data gathered from that Phase Ib study was utilized in the design of three separate Phase II trials of bavituximab in combination with chemotherapy for the treatment of solid tumors. Two of the trials are designed to evaluate the combination of bavituximab and chemotherapy in patients with advanced breast cancer and the third trial is designed to evaluate bavituximab in combination with chemotherapy in patients with non-small cell lung cancer (NSCLC). In addition, a Phase I safety trial evaluating bavituximab as monotherapy in patients with advanced solid cancers is continuing in the U.S. For the anti-viral program, we have completed two Phase I studies of bavituximab as monotherapy in patients with chronic HCV infection, and we are currently dosing patients in a third Phase I clinical study to evaluate the safety, pharmacokinetics and anti-viral activity of bavituximab over a longer dosing period in patients co-infected with HCV and the human immunodeficiency virus ("HIV").

Our lead TNT technology product candidate, Cotara®, is a monoclonal antibody conjugated to a radioisotope that is being assessed in clinical trials for the treatment of glioblastoma multiforme (GBM), a deadly form of brain cancer. We have completed a number of clinical trials of Cotara having treated in excess of 8 5 patients with advanced solid cancers. Positive data from these prior trials provided the foundation for the two Cotara brain cancer studies currently underway: A Phase II clinical trial is enrolling patients to assess the safety and anti-tumor activity of Cotara in GBM patients at first relapse. In addition, we are continuing to enroll patients in a dose confirmation and dosimetry trial in patients with recurrent GBM to further characterize the distribution characteristics of Cotara and to assess safety and anti-tumor activity.

The following table summarizes our current 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 may be expanded to treat up to a total of 46 patients if six or more objective tumor responses are observed in the initial 15 patients.	Patient enrollment for the first 15 patients is complete and the pre-defined primary endpoint of six or more objective tumor responses was achieved with seven of fourteen evaluable patients achieving objective tumor response at the first eight week evaluation point. The design of the clinical trial now allows for an additional 31 study patients to be enrolled. Patients are continuing to be monitored for secondary endpoints.
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.	Patient enrollment is expected to begin shortly in this trial.
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.	Patient enrollment was initiated in June 2008 and enrollment is continuing.
Cotara	Glioblastoma multiforme (GBM)	Dosimetry and dose confirmation study designed to treat up to 12 patients with recurrent GBM.	Study 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.	Study 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.	Study enrollment is continuing in this study.

In addition to our clinical programs, we have a number of earlier-stage technologies that are potential candidates for partnering. These programs include potential new therapeutics, vaccine adjuvants and diagnostic agents.

In addition to our research and development efforts, we operate a wholly owned cGMP (current Good Manufacturing Practices) contract manufacturing subsidiary, Avid Bioservices®, Inc. ("Avid"). Avid provides contract manufacturing services for biotechnology and biopharmaceutical companies on a fee-for-service basis, from pre-clinical drug supplies up through commercial-scale drug manufacture. In addition to these activities, Avid provides critical services in support of Peregrine's product pipeline including manufacture and scale-up of pre-clinical and clinical drug supplies.

We were originally incorporated in California in June 1981 and reincorporated in the State of Delaware on September 25, 1996. Our principal executive offices are located at 14282 Franklin Avenue, Tustin, California, 92780 and our telephone number is (714) 508-6000. Our internet website address is www.peregrineinc.com. Information contained on our website does not constitute any part of this Annual Report.

Our Technology Platforms

Our three products in clinical trials fall under two technology platforms: Anti-Phosphatidylserine ("Anti-PS") technology and Tumor Necrosis Therapy ("TNT") technology.

Anti-PS Technology Platform

Peregrine's new class of anti-phosphatidylserine ("anti-PS") therapeutics are monoclonal antibodies that target and bind to components of cells normally found only on the inner surface of the cell membrane. This target is a specific phospholipid known as phosphatidylserine ("PS"). PS becomes exposed on the outside of cells under stress conditions, including on the surface of tumor blood vessels and during certain viral infections. Our first-in-class anti-PS therapeutic agent, bavituximab, is believed to help stimulate the body's immune defenses to destroy disease-associated cells that have exposed PS on their surface. In addition to this direct effect, researchers believe that anti-PS therapies also have a secondary mechanism of action that occurs under certain stressful conditions at the cellular level. This secondary mechanism involves the immunosuppressive effects of PS molecules expressed on the surface of the cell, which act to dampen the body's normal immune response. By binding to the PS molecule and blocking its effects, agents such as bavituximab may have the potential to turn-off this immunosuppressive signal, allowing the immune system to generate a robust immune response.

Tumor Necrosis Therapy ("TNT") Technology Platform

Our TNT technology uses monoclonal antibodies that target and bind to DNA and associated histone proteins released by the dead and dying ("necrotic") cells found at the core of solid tumors. Most solid tumors develop this core of necrotic cells due to the lack of oxygen and nutrients at their center. This makes the necrotic center of tumors an abundant but selective target for TNT-based monoclonal antibodies. Similar to a guided missile, TNT antibodies are also capable of carrying a variety of therapeutic agents into the interior of these tumors, including radioisotopes and chemotherapeutic agents, which then kill the neighboring tumor cells from the inside out, while sparing healthy tissue. Our most advanced TNT product, Cotara, is an antibody attached to the radioactive isotope, Iodine 131.

Our Products in Clinical Trials

Bavituximab for the Treatment of Solid Tumors

Scientists working with Peregrine have determined that the Anti-PS target for bavituximab becomes specifically exposed on tumor blood vessels. In pre-clinical cancer studies a bavituximab equivalent (a mouse version of the human antibody) has demonstrated promising anti-tumor activity as a stand-alone treatment for the treatment of breast, prostate and pancreatic tumors. Researchers have shown in pre-clinical studies that common cancer treatments such as chemotherapy and radiation therapy stress the cells that line the tumor blood vessels and thereby increase the exposure of the PS target on tumor blood vessels and significantly enhanced the anti-tumor effects of either agent alone.

On May 31, 2007, we reported positive top-line results from the Phase Ib open label trial. This trial, which was conducted in India, was designed to assess the safety and tolerability of up to eight weekly doses of bavituximab given in combination with standard chemotherapy regimens including docetaxel, gemcitabine and carboplatin/paclitaxel in 12 patients with late stage cancer who had failed prior therapy. Patients in the trial were also assessed for tumor response, although efficacy assessments were not formal endpoints of the study. Patients were evaluated for tumor response according to Response Evaluation Criteria in Solid Tumors (RECIST) parameters, receiving CT or MRI scans prior to therapy and at the end of the combination treatment course. In these patients, the safety profile of bavituximab in combination with chemotherapy appeared similar to that seen in advanced cancer patients undergoing chemotherapy alone. The combination of bavituximab and chemotherapy showed positive signs of clinical activity, achieving objective tumor response or stable disease in 50% of the patients who were evaluable for tumor response. Patients receiving bavituximab in combination with gemcitabine had positive signs of clinical activity, with 75% achieving an objective tumor response or stable disease, while 50% of patients receiving bavituximab with carboplatin/paclitaxel also achieved an objective tumor response. Tumor types in the trial included cancers of the breast, lung and ovary, among others.

Clinical data gathered from the Phase Ib study was utilized in the design of three separate Phase II bavituximab studies. These trials all have a two-stage design. An initial cohort of patients is first enrolled, dosed and evaluated and then the study may be expanded if a sufficient number of patients in the initial cohort meet the primary endpoint and the safety profile is positive. The primary endpoint of the Phase II studies is to assess overall response rate to the combination of bavituximab and chemotherapy. Secondary objectives include measuring time to tumor progression, duration of response, overall patient survival and safety parameters. Tumor responses in all of the studies are being evaluated using Response Evaluation Criteria in Solid Tumors (RECIST) parameters. The trials are being conducted according to International Conference on Harmonization (ICH) and Good Clinical Practices (GCP) standards.

The first bavituximab Phase II trial was initiated in January 2008 in advanced breast cancer patients. Patients in this trial are being treated with the combination of bavituximab and the chemotherapeutic agent docetaxel, a chemotherapy drug commonly used in the treatment of breast cancer. We have completed enrollment in the initial cohort of 15 patients in the Republic of Georgia. On July 2, 2008, we announced that we met the pre-specified primary endpoint of six or more objective tumor responses in the initial 15 patients. Fourteen of the 15 patients enrolled in Stage 1 were deemed evaluable for tumor response, with seven achieving partial tumor responses and seven having stable disease at week eight according to Response Evaluation Criteria in Solid Tumors (RECIST) criteria. Patients may continue to receive bavituximab as long as the cancer does not progress and side effects are acceptable. The design of the clinical trial now allows for an additional 31 study patients to be enrolled.

Patient enrollment in a second bavituximab Phase II trial was initiated in June 2008 in India using bavituximab in combination with the chemotherapeutic agents carboplatin and paclitaxel in patients with non-small cell lung cancer (NSCLC). The study is designed to assess the combination therapy in 21 patients initially, and could be expanded to include up to an additional 28 patients if promising results are seen in the first cohort. Patients may continue to receive bavituximab as long as the cancer does not progress and side effects are acceptable.

A third bavituximab Phase II trial for advanced breast cancer patients is expected to begin shortly in India. Patients will be treated with the combination of bavituximab and chemotherapeutic agents carboplatin and paclitaxel. Fifteen patients will be enrolled in the first cohort and the study can then be expanded to include up to an additional 31 patients if promising results are observed. Patients may continue to receive bavituximab as long as the cancer does not progress and side effects are acceptable.

In addition to our three Phase II bavituximab cancer trials, we are currently enrolling patients in a multi-center Phase I monotherapy trial in the U.S. for which most solid cancer types are eligible for enrollment. The clinical trial is designed to enroll up to 28 patients with advanced solid tumors that no longer respond to standard cancer treatments. The objectives of this open-label, single and repeat dose escalation study are to determine the safety and tolerability of bavituximab administered intravenously to patients with advanced cancer; characterize the pharmacokinetic profile of bavituximab and define the dose-limiting toxicities, maximum tolerated dose and/or maximum effective dose of bavituximab. Patients who demonstrate an objective response to therapy may be offered continued treatment with an extension protocol. Patient screening and enrollment are currently ongoing.

We originally experienced delays in enrolling patients for this study, initially due to certain FDA mandated requirements in the study's protocol which limited the number of cancer patients eligible for the study and the number of patients willing to participate in the study due to the length of time between treatments. We subsequently presented the FDA with data sufficient to allow us to amend the protocol and lessen such requirements as well as make other changes to the protocol in an effort to make it more appealing to both physicians and patients. While we are hopeful that such changes will enable us to increase the rate of patient enrollment, due to the competition with other cancer trials being conducted in the United States, we continue to face enrollment challenges in the United States.

Cotara® for the Treatment of Brain Cancer

Cotara®, our first Tumor Necrosis Therapy ("TNT") based agent, is a monoclonal antibody targeting agent conjugated to Iodine 131, a therapeutic radioisotope that kills tumor cells near the site of localization. Cotara binds to DNA and associated histone proteins that become accessible in dead and dying cells found at the core of tumors. In prior clinical studies, Cotara has demonstrated encouraging results in patients with advanced brain cancer. One study demonstrated a 58% increase in expected median survival time in a group of patients suffering from recurrent glioblastoma multiforme ("GBM") who were treated with Cotara at the anticipated therapeutic dose being used in current studies. This was considered a promising development in this serious and deadly disease.

Cotara is currently in a dose confirmation and dosimetry clinical trial for the treatment of recurrent GBM at several clinical sites in the U.S. The multi-center open label study is designed to treat up to 12 GBM patients who have recurrent disease. Patients are receiving Cotara by convection-enhanced delivery (CED), a National Institute of Health (NIH)-developed technique that delivers the agent to the tumor with great precision. The study's main objectives are to confirm the dose limiting toxicities and maximum tolerated dose and to characterize the biodistribution and radiation dosimetry of Cotara.

On August 2, 2007, Peregrine announced first patient dosing in a Phase II trial in India to assess Cotara in up to 40 GBM patients who have experienced a first relapse. This study, which is ongoing, is expected to be an integral part of the overall Cotara brain cancer development program. Patients receive a single infusion of the drug using the CED delivery method, and the study's primary objective is to confirm the maximum tolerated dose of Cotara in these patients. Secondary objectives include estimates of overall patient survival, progression-free survival and the proportion of patients alive at six months post-treatment. The study is being conducted according to internationally accepted ICH (International Conference on Harmonization) and GCP (Good Clinical Practices) guidelines at multiple clinical centers. Patient enrollment and dosing are ongoing.

Taken together, the study results from Peregrine's two ongoing Cotara trials should provide the safety, dosimetry and initial efficacy data needed to support the design of the Phase III study. Cotara has been granted FDA orphan drug status and fast track designation for the treatment of GBM.

We have experienced delays in both these studies for reasons outside our control. The dose confirmation and dosimetry trial was originally co-sponsored and primarily managed by the NCI-funded New Approaches to Brain Tumor Therapy (NABTT) consortium. Due to funding reductions at NABTT, within the last year, we have assumed full sponsorship and control of the trial and initiated several additional clinical trial centers. The phase II India study initially experienced regulatory delays due to the serial nature of manufacturing and clinical trial approvals as well as changes in key personnel at the Drug Controller General office. Additionally, we have had to invest in institutional infrastructure and coordination at the clinical site level in order to enroll patients. While we are hopeful that such changes will enable us to increase the rate of patient enrollment in both of these studies, we expect to continue facing enrollment challenges.

Bavituximab for the Treatment of HCV Infection

Bavituximab is a monoclonal antibody that targets and binds to PS. Our researchers and collaborators have discovered that PS, the target for bavituximab, becomes exposed on the surface of a broad class of viruses known as enveloped viruses, as well as on the cells they infect. These pathogens are responsible for about half of all human viral diseases, including hepatitis C virus (HCV), influenza, human immunodeficiency virus (HIV), cytomegalovirus (CMV) and other virus strains that cause serious and life-threatening conditions. Scientists studying bavituximab believe the drug's mechanism of action may help stimulate the body's natural immune defenses to destroy both the virus particles and the cells they infect. Since the target for bavituximab is only exposed on diseased cells, healthy cells should not be affected by bavituximab.

We filed the first Investigational New Drug ("IND") application for bavituximab for the treatment of chronic hepatitis C virus ("HCV") infection in April 2005. Peregrine initiated and completed a Phase Ia single dose escalation study in thirty (30) patients chronically infected with HCV who had failed prior therapies. The primary goal of the Phase Ia study was to assess the safety and pharmacologic profile of bavituximab in patients with chronic HCV infection. Changes in viral load, measured as serum HCV RNA levels, were also monitored. In the study, 30 patients with chronic HCV infection were administered one of five doses of bavituximab including 0.1, 0.3, 1, 3 and 6 milligrams per kilogram (mg/kg) of body weight. After a single dose of bavituximab, among the patients administered 1, 3 and 6 mg/kg doses, 50% achieved a maximum peak reduction in serum HCV levels of greater than 75% (0.6 log), with one patient having a maximum peak 97% (1.5 log) reduction. In this study, approximately 90% of the subjects were infected with the genotype 1 form of HCV, which is the most common and difficult-to-treat strain of the virus. At all five dose levels, bavituximab appeared to be safe and well tolerated with no dose-limiting toxicities or serious adverse events. Reported adverse events were mostly mild, infrequent, transient and likely not drug-related. We reported initial results of this study on June 7, 2006 and final results were presented at the annual meeting of the American Association for the Study of Liver Diseases in Boston, MA on October 30, 2006.

These results supported the initiation and completion of a Phase Ib repeat dose HCV trial during fiscal year 2007. In November 2007, at the 58th Annual Meeting of the American Association for the Study of Liver Disease (AASLD), we presented results from the Phase Ib repeat dose HCV trial. The primary objective of the Phase Ib study was to determine the safety, distribution and pharmacokinetic properties of multiple doses of single agent bavituximab in patients with chronic HCV infection. Changes in viral load, measured as serum HCV RNA levels, were also monitored. Twenty-four patients (four cohorts of six patients each) were enrolled in the study, with each cohort scheduled to receive four doses of bavituximab over a 14-day period. Patients received twice-weekly doses of bavituximab at escalating dose levels of 0.3, 1, 3 or 6 mg/kg of body weight. Patients in all cohorts were followed for 12 weeks. The results indicate that bavituximab was generally safe and well-tolerated, with no dose-limiting toxicities or serious adverse events reported. Anti-viral activity (decline of greater than or equal to 0.5 log10 reduction in HCV RNA) was observed at all dose levels. In the study, 83% of patients at the 3 mg/kg dose level demonstrated a maximum peak reduction in HCV RNA levels of at least a 75% (0.6 log), with an average of an 84% (0.8 log) peak reduction for those patients.

Based on the data from these earlier HCV clinical studies and on pre-clinical data indicating the potential of bavituximab to bind to HIV and HIV-infected cells, Peregrine advanced bavituximab into a trial in HCV patients co-infected with HIV. On October 10, 2007, Peregrine announced the dosing of the first patient in this trial. Patient enrollment and dosing is currently ongoing. The study is an open-label, dose escalation study designed to assess the safety and pharmacokinetics of bavituximab in up to 24 patients chronically infected with HCV and HIV. Patient cohorts are receiving ascending dose levels of bavituximab weekly for up to 8 weeks. HCV and HIV viral titers and other biomarkers are being tracked, although they are not formal study endpoints. In the U.S. alone, an estimated 300,000 individuals are co-infected with HIV and HCV, representing up to 30% of all HIV-infected patients. Co-infected patients have been shown to have a lower response to current HCV regimens and the adverse effects of these regimens can be especially problematic for some HIV patients.

We also have worked with top academic researchers and research organizations to study the potential use of bavituximab to treat other viral infections. These pre-clinical programs have primarily focused on evaluating the potential of bavituximab and other anti-PS antibodies in viral infections with significant economic impact including HIV, influenza and CMV, as well as biodefense applications. The promising results of these pre-clinical studies have contributed to Peregrine's understanding of the mechanism of action of bavituximab and its broad potential in viral indications.

Government Contract With The Defense Threat Reduction Agency

On June 30, 2008, we were awarded a five-year contract 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). In pre-clinical animal models, bavituximab has demonstrated encouraging anti-viral activity as a potential treatment for viral hemorrhagic fevers. This federal contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $5 million appropriated immediately for the current federal fiscal year ending September 30, 2008. 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.

Earlier-Stage Technologies / Pre-Clinical Studies

We have historically developed several earlier stage technologies including Vasopermeation Enhancement Agents ("VEAs") that are intended to be used as an adjuvant to improve the performance of standard cancer drugs, Anti-Angiogenesis Agents, and Vascular Targeting Agents ("VTAs"), that complement our other anti-cancer platforms. In order to focus our efforts and resources on our current clinical programs, we have curtailed our efforts in developing these pre-clinical programs and we are actively seeking partners to further develop these technologies.

In addition, we also conduct pre-clinical studies relevant to bavituximab and our anti-PS technology platform. Positive scientific results were reported on a number of these programs in fiscal year 2008.

In September 2007, a study published in *Clinical Cancer Research* confirmed the potential of bavituximab combined with radiation in lung cancer, showing that a bavituximab equivalent combined with radiation reduced tumor growth by 80% in a mouse lung cancer model. The study also confirmed key aspects of bavituximab's mechanism of action in combination with radiation therapy.

On April 15, 2008 at the 2008 Annual Meeting of the American Association for Cancer Research (AACR), Peregrine reported that pre-clinical study results confirmed a unique mechanism by which bavituximab is thought to affect the tumor microenvironment and contribute to its anti-tumor efficacy. The research showed similar effects for bavituximab and for PGN635, a fully human version of the bavituximab antibody. In the *in vitro* and *in vivo* studies, Peregrine researchers showed that both bavituximab and PGN635 cause the destruction of targeted cells. They demonstrated that by blocking the anti-inflammatory signals of the phosphatidylserine found on the surface of targeted cells, these anti-PS antibodies could create a unique tumor microenvironment, by enhancing production of pro-inflammatory cytokines and decreasing production of anti-inflammatory cytokines. In addition, the studies showed that similar to bavituximab, PGN635 localizes to tumors but not to healthy tissue.

At the 2008 AACR meeting, Peregrine also reported pre-clinical study results demonstrating the vaccine-like ability of immunocytokine proteins combining its anti-PS antibodies and cytokines, such as IL-2, to generate robust and protective immune responses in a highly aggressive mouse brain cancer model. Eighty percent of the mice receiving prophylactic pre-treatment with irradiated breast cancer and immunocytokine cells did not develop any tumors and remained tumor-free through 270 days post-treatment, while all of the control animals receiving irradiated breast tumor cells alone developed lethal tumors.

Peregrine also reported pre-clinical study results at the 2008 AACR meeting demonstrating that a mouse equivalent of Peregrine's bavituximab, administered in combination with the chemotherapeutic agent docetaxel, demonstrated excellent signs of efficacy in a model of hormone-refractory prostate cancer. This data confirmed and extended the results of previous studies of Peregrine's anti-PS antibodies in models of prostate cancer. Researchers reported that in a mouse model of hormone-refractory prostate cancer, the combination of the bavituximab equivalent antibody and docetaxel significantly decreased the growth of tumors, eliminated detectable metastases and prevented tumor re-growth. Survival time was more than doubled in animals receiving combination therapy compared to controls, and was substantially longer than the survival of animals treated with either therapy alone. This increase in anti-tumor efficacy and anti-metastatic activity was achieved with no apparent increase in toxicity compared to docetaxel alone.

In-Licensing Collaborations

The following discussions cover our collaborations and in-licensing obligations related to our products in clinical trials:

Tumor Necrosis Therapy ("TNT")

We acquired the rights to the TNT technology in July 1994 after the merger between Peregrine and Cancer Biologics, Inc. was approved by our stockholders. The assets acquired from Cancer Biologics, Inc. primarily consisted of patent rights to the TNT technology. To date, no product revenues have been generated from our TNT technology.

In October 2004, we entered into a worldwide non-exclusive license agreement with Lonza Biologics ("Lonza") for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of Cotara®. Under the terms of the agreement, we will pay a royalty on net sales of any products we market that utilize the underlying technology. In the event a product is approved and we or Lonza do not manufacture Cotara®, we would owe Lonza 300,000 pounds sterling per year in addition to an increased royalty on net sales.

Anti-PhosphatidylSerine ("Anti-PS") Immunotherapeutics

In August 2001, we exclusively in-licensed the worldwide rights to this technology platform from the University of Texas Southwestern Medical Center at Dallas. During November 2003 and October 2004, we entered into two non-exclusive license agreements with Genentech, Inc. to license certain intellectual property rights covering methods and processes for producing antibodies used in connection with the development of our Anti-PS Immunotherapeutics program. During December 2003, we entered into an exclusive commercial license agreement with an unrelated entity covering the generation of the chimeric monoclonal antibody, bavituximab. In March 2005, we entered into a worldwide non-exclusive license agreement with Lonza Biologics for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of bavituximab.

Under our in-licensing agreements relating to the Anti-PS Immunotherapeutics technology, we typically pay an up-front license fee, annual maintenance fees, and are obligated to pay future milestone payments based on development progress, plus a royalty on net sales and/or a percentage of sublicense income. Our aggregate future milestone payments under the above in-licensing agreements are $6,850,000 assuming the achievement of all development milestones under the agreements through commercialization of products, of which, $6,400,000 is due upon approval of the first Anti-PS Immunotherapeutics product. In addition, under one of the agreements, we are required to pay future milestone payments upon the completion of Phase II clinical trial enrollment in the amount of 75,000 pounds sterling, the amount of which will continue as an annual license fee thereafter, plus a royalty on net sales of any products that we market that utilize the underlying technology. In the event we utilize an outside contract manufacturer other than Lonza to manufacture bavituximab for commercial purposes, we would owe Lonza 300,000 pounds sterling per year in addition to an increased royalty on net sales.

During fiscal years 2008 and 2006, we expensed $50,000 and $450,000, respectively under in-licensing agreements covering our Anti-PS Immunotherapeutics technology platform, which is included in research and development expense. We did not incur any milestone related expenses during fiscal year 2007.

Out-Licensing Collaborations

In addition to internal product development efforts and related licensing collaborations, we remain committed to our existing out-licensing collaborations and the pursuit of select partnerships with pharmaceutical, biopharmaceutical and diagnostic companies based on our broad intellectual property position. The following represents a summary of our key out-licensing collaborations:

During September 1995, we entered into an agreement with Cancer Therapeutics, Inc., a California corporation, whereby we granted to Cancer Therapeutics Laboratories, Inc. ("CTL") the exclusive right to sublicense TNT to a major pharmaceutical company solely in the People's Republic of China. In addition, we are entitled to receive 50% of the distributed profits received by Cancer Therapeutics, Inc. from the Chinese pharmaceutical company. Cancer Therapeutics, Inc. has the right to 20% of the distributed profits under the agreement with the Chinese pharmaceutical company. During March 2001, we extended the exclusive licensing period granted to Cancer Therapeutics, which now expires on December 31, 2016. In exchange for this extension, Cancer Therapeutics, Inc. agreed to pay us ten percent (10%) of all other consideration received by Cancer Therapeutics, Inc. from the Chinese pharmaceutical company, excluding research funding. During January 2007, we filed a lawsuit against CTL alleging various breaches of contract under the agreement. The lawsuit is currently in the discovery phase as further discussed in Part I, Item 3 under "Legal Proceedings" of this Annual Report. Through fiscal year ended April 30, 2008, we have not received any amounts under the agreement.

During October 2000, we entered into a licensing agreement with Merck KGaA to out-license a segment of our TNT technology for use in the application of cytokine fusion proteins. During January 2003, we entered into an amendment to the license agreement, whereby we received an extension to the royalty period from six years to ten years from the date of the first commercial sale. Under the terms of the agreement, we would receive a royalty on net sales if a product is approved under the agreement. Merck KGaA has not publicly disclosed the development status of its program.

During February 2007, we entered into an amended and restated license agreement with SuperGen, Inc. ("SuperGen") revising the original licensing deal completed with SuperGen in February 2001, to license a segment of our VTA technology, specifically related to certain conjugates of vascular endothelial growth factor ("VEGF"). Under the terms of the amended and restated license agreement, we will receive annual license fees of up to $200,000 per year payable in cash or SuperGen common stock until SuperGen files an Investigational New Drug Application in the United States utilizing the VEGF conjugate technology. In addition, we could receive up to $8.25 million in future payments based on the achievement of all clinical and regulatory milestones combined with a royalty on net sales, as defined in the agreement, as amended. We could also receive additional consideration for each clinical candidate that enters a Phase III clinical trial by SuperGen. As of April 30, 2008, SuperGen has not filed an Investigational New Drug Application in the United States utilizing the VEGF conjugate technology.

During December 2002, we granted the exclusive rights for the development of diagnostic and imaging agents in the field of oncology to Schering A.G. under our VTA technology. Under the terms of the agreement, we received an up-front payment of $300,000, which we amortized as license revenue over an estimated period of 48 months through December 2006 in accordance with SAB No. 104. Under this license agreement, the obligation period was not contractually defined and we exercised judgment in estimating the period of time over which certain deliverables will be provided to enable the licensee to practice the license. The estimated period of 48 months was primarily determined based on the historical experience with Schering A.G. under a separate license agreement. In addition, under the terms of the agreement, we could receive up to $1.2 million in future payments for each product based on the achievement of all clinical and regulatory milestones combined with a royalty on net sales, as defined in the agreement. Under the same agreement, we granted Schering A.G. an option to obtain certain non-exclusive rights to the VTA technology with predetermined up-front fees and milestone payments as defined in the agreement. Schering A.G. has not publicly disclosed the development status of its program.

Contract Manufacturing Services

During January 2002, we commenced the operations of our wholly owned subsidiary, Avid Bioservices, Inc. ("Avid"), which was formed from the facilities and expertise of Peregrine. Avid provides an array of contract manufacturing services, including contract manufacturing of antibodies and proteins, cell culture development, process development, and testing of biologics for biopharmaceutical and biotechnology companies under current Good Manufacturing Practices ("cGMP"). Avid's current manufacturing capacity includes the following four bioreactors: 1,000 liter, 300 liter, 100 liter and 22.5 liter.

Operating a cGMP facility requires highly specialized personnel and equipment that must be maintained on a continual basis. Prior to the formation of Avid, we manufactured our own antibodies for over 10 years and developed the manufacturing expertise and quality systems to provide the same service to other biopharmaceutical and biotechnology companies. We believe Avid's existing facility is well positioned to meet the growing needs of the industry. Avid is also well positioned to increase its capacity in the future in order to become a significant supplier of contract manufacturing services.

Avid provides an array of services for Peregrine as well as working with a variety of companies in the biotechnology and pharmaceutical industries. Even though much of the process is very technical, knowledge of the process should assist you in understanding the overall business and complexities involved in cGMP manufacturing. The manufacturing of monoclonal antibodies and recombinant proteins under cGMP is a complex process that includes several phases before the finished drug product is released for clinical or commercial use. The first phase of the manufacturing process is to receive the production cell line (the cells that produce the desired protein) and any available process information from the client. The cell line must be adequately tested according to FDA guidelines by an outside laboratory to certify that it is suitable for cGMP manufacturing. This testing generally takes between one and three months to complete, depending on the necessary testing. The cell line that is used may either be from a master cell bank (base cells from which all future cells will be grown), which is already fully tested or may represent a research cell line. In the case of a research cell line, Avid can use the research cell line to produce master and working cell banks. Clients often request further development through media screening and adaptation followed by small scale bioreactor process development in 1 to 5 liter bioreactor systems. In parallel to the production of the master and working cell banks, the growth and productivity characteristics of the cell line may be evaluated in the process development labs. The whole manufacturing process (master cell bank characterization, process development, assay development, raw materials specifications, test methods, downstream processing methods, purification methods, testing methods and final release specifications) must be developed and documented prior to the commencement of manufacturing in the bioreactors. The second phase of the process is in the manufacturing facility. Once the process is developed, pilot runs are generally performed using smaller scale bioreactors, such as the 22.5 liter bioreactor, in order to verify the process. Once the process is set, a pilot run or full scale runs will be performed to finalize manufacturing batch records. Material produced during these runs is often used for toxicology studies. After completing the pilot batch run(s), full-scale cGMP manufacturing is typically initiated. Once the cGMP run(s) is completed, batch samples are sent to an outside lab for various required tests, including sterility and viral testing. Once the test results verify that the antibodies meet specifications, the product is released for clinical or commercial use.

Each product manufactured is tailored to meet the specific needs of Peregrine or the client. Full process development from start to product release can take ten months or longer. Research and development work can take from two months to over six months. All stages of manufacturing can generally take from one to several weeks depending on the manufacturing method and process. Product testing and release can take up to three months to complete.

Given its inherent complexity, necessity for detail, and magnitude (contracts may be into the millions of dollars), the contract negotiations and sales cycle for cGMP manufacturing services can take a significant amount of time. Our anticipated sales cycle from client introduction to signing an agreement will take anywhere from between three to six months to over one year. Introduction to Avid's services will usually come from exhibiting at trade shows, exposure from attending conferences and through word of mouth. The sales cycle consists of the introduction phase, the proposal phase, the audit phase, the contract phase and the project initiation phase.

To date, Avid has been audited and qualified by large, small, domestic and foreign biotechnology companies interested in the production of monoclonal antibodies for clinical trials and, as discussed below, commercial use. Additionally, Avid has been audited by the European Regulatory authorities, the United States Food and Drug Administration ("FDA") and the California Department of Health.

In 2005, Avid was inspected by the FDA in a Pre-Approval Inspection ("PAI") supporting a New Drug Application for commercial application by a client company. The Los Angeles District FDA office recommended to Washington that the facility be approved as a site for the Active Pharmaceutical Ingredient ("API") for the client company. The client's New Drug Application was in fact approved later in 2005 and includes Avid as the source of the API. Avid is currently producing commercial product for the client company under this approved New Drug Application.

Government Regulation

Regulation by governmental authorities in the United States and other countries is a significant factor in our ongoing research and development activities and in the production of our products under development. Our products and our research and development activities are subject to extensive governmental regulation in the U.S., including the Federal Food, Drug, and Cosmetic Act, as amended, the Public Health Service Act, also as amended, as well as to other federal, state, and local statutes and regulations. These laws, and similar laws outside the U.S., govern the clinical and non-clinical testing, manufacture, safety, effectiveness, approval, labeling, distribution, sale, import, export, storage, record keeping, reporting, advertising and promotion of our products, if approved. Violations of regulatory requirements at any stage may result in various adverse consequences, including regulatory delay in approving or refusal to approve a product, enforcement actions, including withdrawal of approval, labeling restrictions, seizure of products, fines, injunctions and/or civil or criminal penalties. Any product that we develop must receive all relevant regulatory approvals or clearances before it may be marketed in a particular country.

The regulatory process, which includes extensive pre-clinical testing and clinical trials of each clinical candidate to study its safety and efficacy, is uncertain, takes many years and requires the expenditure of substantial resources. We cannot assure you that the clinical trials of our product candidates under development will demonstrate the safety and efficacy of those product candidates to the extent necessary to obtain regulatory approval.

The activities required before a product may be marketed in the United States, such as Cotara® or bavituximab, are generally performed in the following sequential steps:

1. Pre-clinical testing. This generally includes evaluation of our products in the laboratory or in animals to determine characterization, safety and efficacy. Some pre-clinical studies must be conducted by laboratories that comply with FDA regulations regarding good laboratory practice.

2. Submission to the FDA of an investigational new drug application ("IND"). The results of pre-clinical studies, together with manufacturing information, analytical data and proposed clinical trial protocols, are submitted to the FDA as part of an IND, which must become effective before the clinical trials can begin. Once the IND is filed, the FDA has 30 days to review it. The IND will automatically become effective 30 days after the FDA receives it, unless the FDA indicates prior to the end of the 30-day period that the proposed protocol raises concerns that must be resolved to the FDA's satisfaction before the trial may proceed. If the FDA raises concerns, we may be unable to resolve the proposed protocol to the FDA's approval in a timely fashion, if at all.

3. Completion of clinical trials. Human clinical trials are necessary to seek approval for a new drug or biologic and typically involve a three-phase process. In Phase I, small clinical trials are generally conducted to determine the safety of the product. In Phase II, clinical trials are generally conducted to assess safety, acceptable dose, and gain preliminary evidence of the efficacy of the product. In Phase III, clinical trials are generally conducted to provide sufficient data for the statistically valid proof of safety and efficacy. A clinical trial must be conducted according to good clinical practices under protocols that detail the trial's objectives, inclusion and exclusion criteria, the parameters to be used to monitor safety and the efficacy criteria to be evaluated, and informed consent must be obtained from all study subjects. Each protocol must be submitted to the FDA as part of the IND. The FDA may impose a clinical hold on an ongoing clinical trial if, for example, safety concerns arise, in which case the study cannot recommence without FDA authorization under terms sanctioned by the Agency. In addition, before a clinical trial can be initiated, each clinical site or hospital administering the product must have the protocol reviewed and approved by an institutional review board ("IRB"). The IRB will consider, among other things, ethical factors and the safety of human subjects. The IRB may require changes in a protocol, which may delay initiation or completion of a study. Phase I, Phase II or Phase III clinical trials may not be completed successfully within any specific period of time, if at all, with respect to any of our potential products. Furthermore, we, the FDA or an IRB may suspend a clinical trial at any time for various reasons, including a finding that the healthy individuals or patients are being exposed to an unacceptable health risk.

4. Submission to the FDA of a Biologics License Application ("BLA") or New Drug Application ("NDA"). After completion of clinical studies for an investigational product, a Biologics License Application ("BLA") or New Drug Application ("NDA") is submitted to the FDA for product marketing approval. No action can be taken to market any new drug or biologic product in the United States until the FDA has approved an appropriate marketing application.

5. FDA review and approval of the BLA or NDA before the product is commercially sold or shipped. The results of pre-clinical studies and clinical trials and manufacturing information are submitted to the FDA in the form of a BLA or NDA for approval of the manufacture, marketing and commercial shipment of the product. The FDA may take a number of actions after the BLA or NDA is filed, including but not limited to, denying the BLA or NDA if applicable regulatory criteria are not satisfied, requiring additional clinical testing or information; or requiring post-market testing and surveillance to monitor the safety or efficacy of the product. Adverse events that are reported after marketing approval can result in additional limitations being placed on the product's use and, potentially, withdrawal of the product from the market. Any adverse event, either before or after marketing approval, can result in product liability claims against us.

In addition, we are subject to regulation under state, federal, and international laws and regulations regarding occupational safety, laboratory practices, the use and handling of radioactive isotopes, environmental protection and hazardous substance control, and other regulations. Our clinical trial and research and development activities involve the controlled use of hazardous materials, chemicals and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our financial resources. In addition, disposal of radioactive materials used in our clinical trials and research efforts may only be made at approved facilities. We believe that we are in material compliance with all applicable laws and regulations including those relating to the handling and disposal of hazardous and toxic waste.

Our product candidates, if approved, may also be subject to import laws in other countries, the food and drug laws in various states in which the products are or may be sold and subject to the export laws of agencies of the United States government.

In addition, we must also adhere to current Good Manufacturing Practice ("cGMP") and product-specific regulations enforced by the FDA through its facilities inspection program. Failure to comply with manufacturing regulations can result in, among other things, warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to renew marketing applications and criminal prosecution.

During fiscal year 1999, the Office of Orphan Products Development of the FDA determined that Cotara® qualified for orphan designation for the treatment of recurrent glioblastoma multiforme and anaplastic astrocytoma (both brain cancers). The 1983 Orphan Drug Act (with amendments passed by Congress in 1984, 1985, and 1988) includes various incentives that have stimulated interest in the development of orphan drug and biologic products. These incentives include a seven-year period of marketing exclusivity for approved orphan products, tax credits for clinical research, protocol assistance, and research grants. Additionally, legislation re-authorizing FDA user fees also created an exemption for orphan products from fees imposed when an application to approve the product for marketing is submitted. A grant of an orphan designation is not a guarantee that a product will be approved. If a sponsor receives orphan drug exclusivity upon approval, there can be no assurance that the exclusivity will prevent another entity from receiving approval for the same or a similar drug for the same or other uses.

Cotara® was granted Fast Track designation by the FDA in fiscal year 2002 for the treatment of recurrent glioblastoma multiforme. This designation facilitates the development and expedites the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. The Fast Track mechanism is described in the Food and Drug Administration Modernization Act of 1997 (FDAMA). The benefits of Fast Track include scheduled meetings to seek FDA input into development plans, the option of submitting a New Drug Application in sections rather than all components simultaneously, and the option of requesting evaluation of studies using surrogate endpoints.

Manufacturing and Raw Materials

Manufacturing. We manufacture pharmaceutical-grade products to supply our clinical trials through our wholly owned subsidiary, Avid Bioservices®, Inc. We have assembled a team of experienced scientific, production and regulatory personnel to facilitate the manufacturing of our antibodies, including Cotara® and bavituximab.

Our bavituximab product is shipped directly from our facility to the clinical trial sites or to contract research organizations that distribute the clinical trial materials to clinical sites. Our TNT antibodies are shipped to a third party facility for radiolabeling (the process of attaching the radioactive agent, Iodine 131, to the antibody). From the radiolabeling facility, Cotara® (the radiolabeled-TNT antibodies) is shipped directly to the clinical site for use in clinical trials.

Any commercial radiolabeling supply arrangement will require a significant investment of funds by us in order for a radiolabeling vendor to develop the expanded facilities necessary to support our product. There can be no assurance that material produced by our current radiolabeling supplier will be suitable for commercial quantities to meet the possible demand of Cotara®, if approved. We will continue with our research in radiolabeling scale-up, but we believe this research will be eventually supported by a potential licensing or marketing partner for Cotara®.

Raw Materials. Various common raw materials are used in the manufacture of our products and in the development of our technologies. These raw materials are generally available from several alternate distributors of laboratory chemicals and supplies. We have not experienced any significant difficulty in obtaining these raw materials and we do not consider raw material availability to be a significant factor in our business.

Patents and Trade Secrets

Peregrine continues to seek patents on inventions originating from ongoing research and development activities within the Company and in collaboration with other companies and university researchers. Patents, issued or applied for, cover inventions relating in general to cancer therapy and anti-viral therapy and in particular to different proteins, antibodies and conjugates, methods and devices for labeling antibodies, and therapeutic uses of the antibodies and conjugates. We intend to pursue opportunities to license these technologies and any advancements or enhancements, as well as to pursue the incorporation of our technologies in the development of our own products.

Our issued patents extend for varying periods according to the date of patent application filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. We have either been issued patents or have patent applications pending that relate to a number of current and potential products including products licensed to others. We consider that in the aggregate our patent applications, patents and licenses under patents owned by third parties are of material importance to our operations. In general, we have obtained licenses from various parties that we deem to be necessary or desirable for the manufacture, use or sale of our products. These licenses (both exclusive and non-exclusive) generally require us to pay royalties to the parties. The terms of the licenses, obtained and that we expect to be obtained, are not expected to significantly impact the cost structure or marketability of the Company's products.

In general, the patent position of a biotechnology firm is highly uncertain and no consistent policy regarding the breadth of issued claims has emerged from the actions of the U.S. Patent Office with respect to biotechnology patents. Similar uncertainties also exist for biotechnology patents in important overseas markets. Accordingly, there can be no assurance that our patents, including those issued and those pending, will provide protection against competitors with similar technology, nor can there be any assurance that such patents will not be legally challenged, invalidated, infringed upon and/or designed around by others.

International patents relating to biologics are numerous and there can be no assurance that current and potential competitors have not filed or in the future will not file patent applications or receive patents relating to products or processes utilized or proposed to be used by the Company. In addition, there is certain subject matter which is patentable in the United States but which may not generally be patentable outside of the United States. Statutory differences in patentable subject matter may limit the protection the Company can obtain on some of its products outside of the United States. These and other issues may prevent the Company from obtaining patent protection outside of the United States. Failure to obtain patent protection outside the United States may have a material adverse effect on the Company's business, financial condition and results of operations.

No one has sued us for infringement and no third party has asserted their patents against us that we believe are of any merit. However, there can be no assurances that such lawsuits have not been or will not be filed and, if so filed, that we will prevail or be able to reach a mutually beneficial settlement. We also intend to continue to rely upon trade secrets and improvements, unpatented proprietary know-how, and continuing technological innovation to develop and maintain our competitive position in research and development of therapeutic and diagnostic products. We typically place restrictions in our agreements with third parties, which contractually restrict their right to use and disclose any of the Company's proprietary technology with which they may be involved. In addition, we have internal non-disclosure safeguards, including confidentiality agreements, with our employees. There can be no assurance, however, that others may not independently develop similar technology or that the Company's secrecy will not be breached.

Customer Concentration and Geographic Area Financial Information

We are currently in the research and development phase for all of our products and we have not generated any product sales from any of our technologies under development. For financial information concerning Avid's customer concentration and geographic areas of its customers, see Note 10, "Segment Reporting" to the consolidated financial statements.

Marketing Our Potential Products

We intend to sell our products, if approved, in the United States and internationally in collaboration with marketing partners or through an internal sales force. If the FDA approves Cotara® or bavituximab or our other product candidates under development, the marketing of these product candidates will be contingent upon us entering into an agreement with a company to market our products or upon us recruiting, training and deploying our own sales force. We do not presently possess the resources or experience necessary to market Cotara®, bavituximab, or any of our other product candidates and we currently have no arrangements for the distribution of our product candidates, if approved. Development of an effective sales force requires significant financial resources, time, and expertise. There can be no assurance that we will be able to obtain the financing necessary to establish such a sales force in a timely or cost effective manner or that such a sales force will be capable of generating demand for our product candidates.

Competition

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: Neuradiab, a radiolabeled anti-tenascin monoclonal antibody sponsored by Bradmer Pharmaceuticals, CDX-110, a peptide vaccine under development by Celldex, cilengitide in newly diagnosed GBM patients being evaluated by Merk KGaA, and cediranib for patients with recurrent GBM 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.

Research and Development

A major portion of our operating expenses to date is related to research and development. Research and development expenses primarily include (i) payroll and related costs associated with research and development personnel, (ii) costs related to clinical and pre-clinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) technology access and maintenance fees, including fees incurred under licensing agreements, (v) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (vi) other research and development expenses. Research and development expenses were $18,279,000 in fiscal year 2008, $15,876,000 in fiscal year 2007, and $12,415,000 in fiscal year 2006.

Corporate Governance

Our Board is committed to legal and ethical conduct in fulfilling its responsibilities. The Board expects all directors, as well as officers and employees, to act ethically at all times and to adhere to the policies comprising the Company's Code of Business Conduct and Ethics. The Board of Directors (the "Board") of the Company adopted the corporate governance policies and charters. Copies of the following corporate governance documents are posted on our website, and are available free of charge, at www.peregrineinc.com: (1) Peregrine Pharmaceuticals, Inc. Code of Business Conduct and Ethics (2) Peregrine Pharmaceuticals, Inc. Charter of the Nominating Committee of the Board of Directors, (3) Peregrine Pharmaceuticals, Inc. Charter of the Audit Committee of the Board of Directors, and (4) Peregrine Pharmaceuticals, Inc. Charter of the Compensation Committee of the Board of Directors. If you would like a printed copy of any of these corporate governance documents, please send your request to Peregrine Pharmaceuticals, Inc., Attention: Corporate Secretary, 14282 Franklin Avenue, Tustin, California 92780.

Human Resources

As of April 30, 2008, we employed 129 full-time employees and 4 part-time employees. Each of our employees has signed a confidentiality agreement and none are covered by a collective bargaining agreement. We have never experienced employment-related work stoppages and consider our employee relations to be good.

GLOSSARY OF TERMS

ADJUVANT – An agent added to a drug to increase or aid its effect.

ANGIOGENESIS – The formation of new blood vessels.

ANTIBODY – Protein formed by the body to help defend against infection and disease.

ANTIGEN – Any substance that antagonizes or stimulates the immune system to produce antibodies.

CHEMOTHERAPY – Treatment of disease by means of chemical substances or drugs.

CHIMERIC – A type of antibody that is mostly human and partially mouse.

cGMP - current Good Manufacturing Practices; regulations established by the FDA for the manufacture, processing, packing, or holding of a drug to assure that such drug meets the requirements of the Federal Food, Drug and Cosmetic Act as to safety, and has the identity and strength and meets the quality and purity characteristics that it purports or is represented to possess.

COTARA® – The trade name of our first Tumor Necrosis Therapy ("TNT") clinical compound. Cotara® is a chimeric monoclonal antibody combined with Iodine 131 (radioisotope) that targets dead and dying cells found primarily at the core of a tumor.

CYTOKINE – A chemical messenger protein released by certain white blood cells. The cytokines include the interferons, the interleukins, tumor necrosis factor, and many others.

DNA (DEOXYRIBONUCLEIC ACID) – A complex polynucleotide that is the carrier of genetic information.

ENDOTHELIAL CELLS – A layer of flat cells that line blood vessels.

FDA - the U.S. Food and Drug Administration; the government agency responsible for regulating the food, drug and cosmetic industries, including the commercial approval of pharmaceuticals in the United States.

GLIOBLASTOMA MULTIFORME – A type of brain tumor that forms from glial (supportive) tissue of the brain. Also called grade IV astrocytoma.

IND – Investigational New Drug Application; the application submitted to the FDA requesting permission to conduct human clinical trials.

MAXIMUM TOLERATED DOSE – The highest nontoxic dose that can be reasonably given to patients.

MONOCLONAL ANTIBODY – Antibodies that have identical molecular structure and bind to a specific target. The inherent selectivity of monoclonal antibodies makes them ideally suited for targeting specific cells, such as cancer cells or certain viruses, while bypassing most normal tissue.

NECROSIS or NECROTIC – The death and degradation of cells within a tissue.

ONCOLOGY – The study and treatment of cancer.

PHARMACOKINETIC – Concerning the study of how a drug is processed by the body, with emphasis on the time required for absorption, distribution in the body metabolism and excretion.

PHOSPHOLIPIDS – Phospholipids are normal cellular structures that are present in all cells of the human body and form the building blocks that make-up the outer and inner surface of cells responsible for maintaining integrity and normal functions.

PRE-CLINICAL – Generally refers to research that is performed in animals or tissues in the laboratory.

PROTOCOL – A detailed plan for conducting a research study such as a clinical trial.

RADIOLABELING or RADIOLABELED – Process of attaching a radioactive isotope, such as Iodine 131.

RECURRENT – The return or flare up of a condition thought to be cured or in remission.

SOLID TUMORS – Cancer cells which grow as a solid mass.

TUMOR NECROSIS THERAPY ("TNT")– Therapeutic agents that target dead and dying cells found primarily at the core of a tumor.

ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains forward-looking information based on our current expectations. Because our actual results may differ materially from any forward-looking statements made by or on behalf of Peregrine, this section includes a discussion of important factors that could affect our actual future results, including, but not limited to, our potential product sales, potential royalties, contract manufacturing revenues, expenses, net income(loss) and earnings(loss) per common share.

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 April 30, 2008, we had $15,130,000 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 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 in fiscal year 2009.

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 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. If we raise additional capital through the issuance of debt securities, the debt securities may be secured and any interest payments would reduce the amount of cash available to operate and grow our business. 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 April 30, 2008, we had an aggregate of approximately 5,031,000 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.

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 are actively pursuing strategic initiatives for Avid as a means of 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 existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract, 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 fiscal year 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which would reduce or delay our future projected cash-inflows. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern. Our independent registered public accountants have included an explanatory paragraph related to the uncertainity of our ability to continue as a going concern in their opinion on our 2008 consolidated financial statements.

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 during the past three fiscal years:

	Net Loss
Fiscal Year 2008	$ 23,176,000
Fiscal Year 2007	$ 20,796,000
Fiscal Year 2006	$ 17,061,000

As of April 30, 2008, we had an accumulated deficit of $230,836,000. 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 April 30, 2008, there were approximately 226,211,000 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 20,921,509 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	15,890,875
Total	20,921,509

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.

Of the total options outstanding as of April 30, 2008, approximately 4,073,000 options would be considered dilutive to stockholders because we would receive an amount per share which is less than the market price of our common stock at April 30, 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:

	Common Stock Sales Price		Common Stock Daily Trading Volume (000's omitted)	
	High	**Low**	**High**	**Low**
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 set forth above. 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. Although we did not achieve compliance with the minimum closing bid price requirement after the initial 180 calendar day period, on January 22, 2008, we received a letter from the Nasdaq Stock Market providing us with the additional "compliance period" of 180 calendar days, or until July 21, 2008, to regain compliance. In order to regain compliance with the minimum closing bid price, the closing bid price of our common stock must be $1.00 or more for at least 10 consecutive trading days. If we are not able to demonstrate compliance with the minimum bid price rule by July 21, 2008, the company will be notified by the Nasdaq Stock Market that our common stock will be delisted. If this occurs, we will have the opportunity to appeal the determination to delist our common stock. We intend to pursue all available options to ensure our continued listing on the Nasdaq Stock Market. 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 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.

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 a five-year contract 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 $5 million appropriated immediately for the current federal fiscal year ending September 30, 2008. 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.

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: Neuradiab, a radiolabeled anti-tenascin monoclonal antibody sponsored by Bradmer Pharmaceuticals, CDX-110, a peptide vaccine under development by Celldex, cilengitide in newly diagnosed GBM patients being evaluated by Merk KGaA, and cediranib for patients with recurrent GBM 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.

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 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate, research and development, and clinical trial operations are located in two Company-leased office and laboratory buildings with aggregate square footage of approximately 47,770 feet. The facilities are adjacent to one another and are located at 14272 and 14282 Franklin Avenue, Tustin, California 92780-7017. We currently make combined monthly lease payments of approximately $64,000 for these facilities with a 3.35% rental increase every two years. The next rental increase is scheduled for December 2008. The lease, which commenced in December 1998, has an initial twelve-year term with two five-year term extensions. During December 2005, we entered into a lease amendment with our landlord and extended the original lease term for seven additional years through December 2017 while maintaining our two five-year term extensions that could extend our lease through December 2027. In addition, our monthly lease payments will continue to increase at a rate of 3.35% every two years under the lease amendment. We believe our facilities are adequate for our current needs and that suitable additional substitute space would be available if needed.

ITEM 3. 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 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter ended April 30, 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS' MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) *Market Information.* The Company is listed on The Nasdaq Capital Market under the stock trading symbol "PPHM". The following table shows the high and low sales price of the Company's common stock for each quarter in the two years ended April 30, 2008:

	Common Stock Sales Price	
	High	**Low**
Fiscal Year 2008		
Quarter Ended April 30, 2008	$ 0.73	$ 0.35
Quarter Ended January 31, 2008	$ 0.65	$ 0.35
Quarter Ended October 31, 2007	$ 0.79	$ 0.54
Quarter Ended July 31, 2007	$ 1.40	$ 0.72
Fiscal Year 2007		
Quarter Ended April 30, 2007	$ 1.26	$ 0.86
Quarter Ended January 31, 2007	$ 1.39	$ 1.09
Quarter Ended October 31, 2006	$ 1.48	$ 1.12
Quarter Ended July 31, 2006	$ 1.99	$ 1.30

(b) *Holders.* As of June 30, 2008, the number of stockholders of record of the Company's common stock was 5,800.

(c) *Dividends.* No dividends on common stock have been declared or paid by the Company. The Company intends to employ all available funds for the development of its business and, accordingly, does not intend to pay any cash dividends in the foreseeable future.

(d) *Securities Authorized for Issuance Under Equity Compensation.* The information included under Item 12 of Part III of this Annual Report is hereby incorporated by reference into this Item 5 of Part II of this Annual Report.

(e) *Recent Sale of Unregistered Securities*. During the year ended April 30, 2008, warrants to purchase an aggregate of 53,416 shares of the Company's common stock were exercised by two institutional investors on a cash basis under separate transactions for net proceeds of $46,000 and the issuance of 53,416 shares of our common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from audited consolidated financial statements of the Company for each of the five years in the period ended April 30, 2008. These selected financial summaries should be read in conjunction with the financial information contained for each of the three years in the period ended April 30, 2008, included in the consolidated financial statements and notes thereto, Management's Discussion and Analysis of Results of Operations and Financial Condition, and other information provided elsewhere herein.

CONSOLIDATED STATEMENTS OF OPERATIONS
FIVE YEARS ENDED APRIL 30,

	2008	2007	2006	2005	2004
Revenues	$ 6,093,000	$ 3,708,000	$ 3,193,000	$ 4,959,000	$ 3,314,000
Net loss	$ (23,176,000)	$ (20,796,000)	$ (17,061,000)	$ (15,452,000)	$ (14,345,000)
Basic and diluted loss per common share	$ (0.10)	$ (0.11)	$ (0.10)	$ (0.11)	$ (0.11)
Weighted average common shares outstanding	221,148,342	192,297,309	168,294,782	144,812,001	134,299,407

CONSOLIDATED BALANCE SHEET DATA
AS OF APRIL 30,

	2008	2007	2006	2005	2004
Cash and cash equivalents	$ 15,130,000	$ 16,044,000	$ 17,182,000	$ 9,816,000	$ 14,884,000
Working capital	$ 12,403,000	$ 14,043,000	$ 15,628,000	$ 7,975,000	$ 13,631,000
Total assets	$ 23,057,000	$ 22,997,000	$ 22,676,000	$ 14,245,000	$ 19,137,000
Long-term debt	$ 22,000	$ 149,000	$ 545,000	$ 434,000	$ -
Accumulated deficit	$ (230,836,000)	$ (207,660,000)	$ (186,864,000)	$ (169,803,000)	$ (154,351,000)
Stockholders' equity	$ 15,595,000	$ 16,989,000	$ 17,626,000	$ 9,610,000	$ 14,759,000

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is included to describe the Company's financial position and results of operations for each of the three years in the period ended April 30, 2008. The consolidated financial statements and notes thereto contain detailed information that should be referred to in conjunction with this discussion.

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 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-services 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 April 30, 2008, we had approximately $15,130,000 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 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 in fiscal year 2009.

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 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 April 30, 2008, we had an aggregate of approximately 5,031,000 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.

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 are actively pursuing strategic initiatives for Avid as a means of 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 existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract, 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 fiscal year 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which would reduce or delay our future projected cash-inflows. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Results of Operations

The following table compares the consolidated statements of operations for the fiscal years ended April 30, 2008, 2007 and 2006. This table provides an overview of the changes in the statement of operations for the comparative periods, which changes are further discussed below.

	Years Ended April 30,			Years Ended April 30,		
	2008	**2007**	**$ Change**	**2007**	**2006**	**$ Change**
		(in thousands)			*(in thousands)*	
REVENUES:						
Contract manufacturing	$ 5,897	$ 3,492	$ 2,405	$ 3,492	$ 3,005	$ 487
License revenue	196	216	(20)	216	188	28
Total revenues	6,093	3,708	2,385	3,708	3,193	515
COST AND EXPENSES:						
Cost of contract manufacturing	4,804	3,296	1,508	3,296	3,297	(1)
Research and development	18,279	15,876	2,403	15,876	12,415	3,461
Selling, general and administrative	7,150	6,446	704	6,446	6,564	(118)
Total cost and expenses	30,233	25,618	4,615	25,618	22,276	3,342
LOSS FROM OPERATIONS	(24,140)	(21,910)	(2,230)	(21,910)	(19,083)	(2,827)
OTHER INCOME (EXPENSE):						
Recovery of note receivable	-	-	-	-	1,229	(1,229)
Interest and other income	989	1,160	(171)	1,160	846	314
Interest and other expense	(25)	(46)	21	(46)	(53)	7
NET LOSS	$ (23,176)	$ (20,796)	$ (2,380)	$ (20,796)	$ (17,061)	$ (3,735)

Total Revenues

Year Ended April 30, 2008 Compared to the Year Ended April 30, 2007:

The increase in revenues of $2,385,000 during the year ended April 30, 2008 compared to the prior year was due to an increase in contract manufacturing revenue of $2,405,000 offset by a $20,000 decrease in license revenue. The increase in contract manufacturing revenue was primarily due to an increase in services provided to unrelated entities on a fee-for-service basis associated with an increase in product development services including an increase in the number of completed manufacturing runs compared to the prior year.

We expect to continue to generate contract manufacturing revenue during fiscal year 2009 based on the anticipated completion of in-process customer related projects and the anticipated demand for Avid's services under signed contracts and outstanding proposals.

Year Ended April 30, 2007 Compared to the Year Ended April 30, 2006:

The increase in revenues of $515,000 during the year ended April 30, 2007 compared to fiscal year 2006 was due to an increase in contract manufacturing revenue of $487,000 combined with an increase in license revenue of $28,000. The increase in contract manufacturing revenue was primarily due to the increase in services provided to unrelated entities on a fee-for-service basis combined with the collection of disputed services in the amount of $300,000 during fiscal year 2007 associated with manufacturing services performed during the year ended April 30, 2005. Since collectibility of the receivable was not reasonably assured, in accordance with SAB No. 104, *Revenue Recognition*, we did not recognize revenue in prior years and the related work-in-process inventory was written off and included in cost of contract manufacturing during the year ended April 30, 2005.

Cost of Contract Manufacturing

Year Ended April 30, 2008 Compared to the Year Ended April 30, 2007:

The increase in cost of contract manufacturing of $1,508,000 during the year ended April 30, 2008 compared to the prior year was directly related to the current year increase in contract manufacturing revenue. In addition, the cost of contract manufacturing as a percentage of contract manufacturing revenues improved from 94% in fiscal year 2007 to 81% in fiscal year 2008, which was primarily due to an increase in contract manufacturing revenues combined with improved efficiencies in costs associated with manufacturing runs.

Year Ended April 30, 2007 Compared to the Year Ended April 30, 2006:

The cost of contract manufacturing as a percentage of contract manufacturing revenues improved from 110% in fiscal year 2006 to 94% in fiscal year 2007. In fiscal year 2006, we reported an increase in cost of contract manufacturing as a percentage of revenues primarily due to the write-off of unusable work-in-process inventory generated for an unrelated entity combined with an estimated contract loss provision for the same entity during fiscal year 2005.

Research and Development Expenses

Year Ended April 30, 2008 Compared to the Year Ended April 30, 2007:

The increase in research and development ("R&D") expenses of $2,403,000 during the year ended April 30, 2008 compared to the prior year was primarily due to an increase in expenses associated with each of our following platform technologies under development:

	R&D Expenses – Fiscal Year Ended April 30,		
	2008	**2007**	**$ Change**
Technology Platform:			
Anti-PS Immunotherapeutics (bavituximab)	$ 11,371,000	$ 9,324,000	$ 2,047,000
TNT (Cotara®)	3,942,000	3,898,000	44,000
VTA and Anti-Angiogenesis Agents	2,350,000	2,037,000	313,000
VEA	616,000	617,000	(1,000)
Total R&D Expenses	$ 18,279,000	$ 15,876,000	$ 2,403,000

- *Anti-PhosphatidylSerine ("Anti-PS") Immunotherapeutics (bavituximab)* – The increase in Anti-PS Immunotherapeutics program expenses of $2,047,000 during the year ended April 30, 2008 compared to the prior year is primarily due to increases in clinical trial and manufacturing 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. During fiscal year 2008, we submitted two separate Phase II clinical protocols in India, one to treat patients with non-small cell lung cancer ("NSCLC") and one to treat patients with breast cancer, both of which received initial protocol approval in January 2008. In addition, we initiated and completed patient enrollment in the first part of our two-stage Phase II study in the Republic of Georgia and treated 15 patients with breast cancer using our product bavituximab in combination with chemotherapy. These expenses were further supplemented by increases in pre-clinical development expenses to support the possible expansion of bavituximab to treat other viral infections. The foregoing increases in Anti-PS Immunotherapeutics were offset by a decrease in non-cash stock-based compensation expense associated with shares of common stock earned by employees in the prior fiscal year under a stock bonus plan, which expired in fiscal year 2007.

- *Tumor Necrosis Therapy ("TNT") (Cotara®)* – TNT program expenses remained in line with the prior year and increased slightly by $44,000 as we continued our efforts to support the advancement of our two ongoing Cotara® clinical trials for the treatment of brain cancer in the U.S. and India.

- *Vascular Targeting Agents ("VTAs") and Anti-Angiogenesis Agents* – The increase in VTA and Anti-Angiogenesis Agents program expenses of $313,000 during the year ended April 30, 2008 compared to the prior year is primarily due to increases in manufacturing expenses as we developed a manufacturing process at a 1,000 liter scale for our anti-angiogensis product. These increases in manufacturing expense were offset by decreases in pre-clinical program expenses associated with our VTA program. Although VTA and Anti-Angiogenesis program expenses increased overall compared to the prior year, we have significantly curtailed these research efforts and are currently seeking partners to further advance these technologies.

- *Vasopermeation Enhancements Agents ("VEAs")* – VEA program expenses remained in line with the prior year and decreased slightly by $1,000 as we have initiated efforts to significantly curtail our development expenses associated with this program and are focusing our efforts on seeking partners to further advance this technology.

Based on our current projections, which includes estimated clinical trial enrollment rates that are always uncertain, we expect research and development expenses in fiscal year 2009 to remain in line with fiscal year 2008. During fiscal year 2009, we expect to direct the majority of our research and development expenses on our bavituximab and Cotara® clinical programs.

Year Ended April 30, 2007 Compared to the Year Ended April 30, 2006:

The increase in research and development ("R&D") expenses of $3,461,000 during the year ended April 30, 2007 compared to the year ended April 30, 2006 was primarily due to an increase in expenses associated with each of our following platform technologies under development:

	R&D Expenses – Fiscal Year Ended April 30,		
	2007	**2006**	**$ Change**
Technology Platform:			
Anti-PS Immunotherapeutics (bavituximab)	$ 9,324,000	$ 8,271,000	$ 1,053,000
TNT (Cotara®)	3,898,000	2,372,000	1,526,000
VTA and Anti-Angiogenesis Agents	2,037,000	1,416,000	621,000
VEA	617,000	356,000	261,000
Total R&D Expenses	$ 15,876,000	$ 12,415,000	$ 3,461,000

- *Anti-PhosphatidylSerine ("Anti-PS") Immunotherapeutics (bavituximab)* – The increase in Anti-PS Immunotherapeutics program expenses of $1,053,000 during the year ended April 30, 2007 compared to fiscal year 2006 is primarily from continuing efforts to support the development and clinical development of our first Anti-PS Immunotherapeutics agent, bavituximab. During fiscal year 2007, clinical trial expenses increased as we advanced the development of two separate Phase I clinical programs using bavituximab for the treatment of advanced solid cancers and chronic hepatitis C virus infection ("HCV"), including the initiation and completion of a Phase Ib study in India during fiscal year 2007 using bavituximab for the treatment of advanced solid cancers in combination with chemotherapy. These increases in clinical trial expenses were further supplemented with increases in payroll and related expenses, including non-cash stock-based compensation expense associated with the amortization of the fair value of options granted to employees in accordance with the adoption of SFAS No. 123R on May 1, 2006 and non-cash expenses associated with shares of common stock earned by employees under our February 2006 Stock Bonus Plan. These amounts were offset by a decrease in non-cash stock-based compensation expenses associated with non-employee consultants. These increases in Anti-PS Immunotherapeutics program expenses were further offset by decreases in (i) manufacturing expenses incurred in fiscal year 2006 regarding manufacturing commercial scale-up efforts to support our clinical trials, (ii) outside antibody development fees related to a humanized antibody in development, and (iii) technology access fees primarily associated with clinical milestones achieved during fiscal year 2006 in accordance with third party licensing agreements.

- *Tumor Necrosis Therapy ("TNT") (Cotara®)* – The increase in TNT program expenses of $1,526,000 during the year ended April 30, 2007 compared to fiscal year 2006 is primarily due to increased clinical trial expenses to support the Cotara® dose confirmation and dosimetry clinical trial for the treatment of recurrent glioblastoma multiforme ("GBM") and the initiation of a Phase II clinical trial in India for patients with GBM at first relapse. These increases in clinical trial expenses were further supplemented with increases in payroll and related expenses to support our Cotara® clinical studies and in-house TNT research and development efforts combined with an increase in non-cash stock-based compensation expense primarily associated with the amortization of the fair value of options granted to employees in accordance with the adoption of SFAS No. 123R on May 1, 2006.

- *Vascular Targeting Agents ("VTAs") and Anti-Angiogenesis Agents* – The increase in VTA and Anti-Angiogenesis Agents program expenses of $621,000 during the year ended April 30, 2007 compared to fiscal year 2006 is primarily due to increases in payroll and related expenses, manufacturing expenses and outside research studies associated with increased efforts to advance the pre-clinical development of our VTA and Anti-Angiogenesis Agents programs. These increases were further supplemented by an increase in non-cash stock-based compensation expense primarily associated with the amortization of the fair value of options granted to employees in accordance with the adoption of SFAS No. 123R on May 1, 2006.

- *Vasopermeation Enhancements Agents ("VEAs")* – The increase in VEA program expenses of $261,000 during the year ended April 30, 2007 compared to fiscal year 2006 is primarily due to increases in payroll and related expenses, laboratory materials and outside antibody development studies associated with increased efforts to advance the pre-clinical development of our VEA program. These increases were further supplemented by an increase in non-cash stock-based compensation expense primarily associated with the amortization of the fair value of options granted to employees in accordance with the adoption of SFAS No. 123R on May 1, 2006. The above VEA increases were offset with a decrease in technology license fees incurred in fiscal year 2006 associated with an annual license fee due under a former license agreement.

Looking beyond the next twelve months, 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 future costs associated with our pre-clinical candidates, including Vascular Targeting Agents, Anti-Angiogensis Agents, and Vasopermeation Enhancement Agents, which costs are dependent on the success of pre-clinical development. We are not certain whether these product candidates will be successful or whether we will incur any additional costs beyond pre-clinical development given our above stated intent to find partners to move these programs forward;
- the uncertainty of terms related to potential future partnering or licensing arrangements; and
- the uncertainty of protocol changes and modifications in the design of our clinical trial studies, which may increase or decrease our future costs.

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

Year Ended April 30, 2008 Compared to the Year Ended April 30, 2007:

Selling, general and administrative expenses consist primarily of payroll and related expenses, director fees, legal and accounting fees, stock-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.

The increase in selling, general and administrative expenses of $704,000 during the year ended April 30, 2008 compared to the prior year is primarily due to increases in payroll and related expenses, corporate legal fees, and travel and related expenses. Payroll and related expenses increased $564,000 from $2,837,000 in fiscal year 2007 compared to $3,401,000 in fiscal year 2008 primarily due to an increase in headcount to support increased operations combined with an increase in consulting fees primarily associated with the expansion of our business development activities. Corporate legal fees increased $322,000 from $417,000 in fiscal year 2007 to $739,000 in fiscal year 2008 primarily related to legal fees associated with the lawsuit described in this Annual Report on Form 10-K under Part I, Item 3, “Legal Proceedings”, combined with legal fees associated with other corporate matters. Travel and related expenses increased $150,000 from $394,000 in fiscal year 2007 compared to $544,000 in fiscal year 2008 primarily due to increased business development efforts in the U.S., Europe and Asia and increased participation in corporate and investor relation activities. These increases in selling, general and administrative expenses were offset with a decrease in non-cash stock-based compensation expense of $240,000 from $535,000 in fiscal year 2007 to $295,000 in fiscal year 2008 primarily associated with the amortization of the fair value of options granted to employees in accordance with the adoption of SFAS No. 123R and non-cash expenses associated with shares of common stock earned by employees in the prior year under a stock bonus plan, which expired in fiscal year 2007.

Year Ended April 30, 2007 Compared to the Year Ended April 30, 2006:

The decrease in selling, general and administrative expenses of $118,000 during the year ended April 30, 2007 compared to fiscal year 2006 is primarily due to decreases in corporate legal fees, investor and public relation fees, and payroll and related expenses. Corporate legal fees decreased $146,000 from $563,000 in fiscal year 2006 to $417,000 in fiscal year 2007 primarily due to corporate legal fees incurred in fiscal year 2006 associated with a legal settlement related to certain technology agreements with a university that was reached in March 2006. Investor and public relation fees decreased $138,000 from $415,000 in fiscal year 2006 to $277,000 in fiscal year 2007 primarily due to consolidating the outsourcing of our investor and public relation activities. Payroll and related expenses remained in line with fiscal year 2006 and decreased slightly from $2,874,000 in fiscal year 2006 compared to $2,837,000 in fiscal year 2007. These decreases in selling, general and administrative expenses were offset with an increase in non-cash stock-based compensation expense of $156,000 from $379,000 in fiscal year 2006 to $535,000 in fiscal year 2007 due to the adoption of SFAS No. 123R on May 1, 2006 and the issuance of non-cash stock bonuses during fiscal year 2007 associated with the achievement of pre-determined milestones as set forth in the Company’s February 2006 Stock Bonus Plan, which were offset by a decrease in non-cash stock-based compensation expenses associated with non-employee consultants. In addition, we incurred incremental increases in other general corporate related expenses primarily associated with facility related expenses and directors and officers insurance fees.

Recovery of Note Receivable

Year Ended April 30, 2008 Compared to the Year Ended April 30, 2007 and April 30, 2006

During fiscal year 2006, we recovered a previously fully reserved note receivable in the amount of $1,229,000 which amount did not occur in either fiscal year 2008 or fiscal year 2007 as further discussed in Note 4, "Recovery of Note Receivable" to the accompanying consolidated financial statements.

Interest and Other Income

Year Ended April 30, 2008 Compared to the Year Ended April 30, 2007

The decrease in interest and other income of $171,000 during the year ended April 30, 2008 compared to the prior year is due to a $129,000 decrease in other income primarily associated with the sale of a trademark name in the prior year combined with a $42,000 decrease in interest income primarily resulting from lower prevailing interest rates.

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

The increase in interest and other income of $314,000 during the year ended April 30, 2007 compared to fiscal year 2006 is due to a $556,000 increase in interest income as a result of a higher average cash balance on hand and higher prevailing interest rates during fiscal year 2007 compared to fiscal year 2006 offset with a net decrease in other income of $242,000. The net decrease in other income is primarily due to $363,000 of other income recorded during fiscal year 2006 in connection with a legal settlement related to certain technology agreements with a university, which amount was offset by the sale of a trademark name during fiscal year 2007 in the amount of $130,000.

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 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 consolidated financial statements:

Revenues

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 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.

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.

Contract manufacturing revenues 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.

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.

Stock-based Compensation Expense

We currently maintain four equity compensation plans which provide for the granting of options 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. On May 1, 2006, we adopted SFAS No. 123R using the modified-prospective method and, accordingly, stock-based compensation cost recognized beginning May 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of May 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted on or subsequent to May 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Under the modified-prospective method results for fiscal year 2006 have not been restated.

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 two to four 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 (SEC'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 will be 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 losses from operations for fiscal years ended April 30, 2008 and 2007 included stock-based compensation expenses of $829,000 and $964,000, respectively. As of April 30, 2008, the total estimated unrecognized compensation cost related to non-vested stock options was $1,949,000. This cost is expected to be recognized over a weighted average period of 2.25 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 April 30, 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 April 30, 2008, we had $15,130,000 in cash and cash equivalents compared to $16,044,000 at April 30, 2007. 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 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 in fiscal year 2009.

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 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 April 30, 2008, we had an aggregate of approximately 5,031,000 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.

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 are actively pursuing strategic initiatives for Avid as a means of raising additional capital. We have not classified the related assets as held for sale in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, as the partnering or sale of such assets are not currently probable under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies.*

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 existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract, 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 fiscal year 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which would reduce or delay our future projected cash-inflows. 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 year ended April 30, 2008 compared to the prior year 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 year ended April 30, 2008, cash used in operating activities increased $2,448,000 to $20,927,000 compared to $18,479,000 for the year ended April 30, 2007. The increase in cash used in operating activities was primarily due to an increase in net loss reported during fiscal year 2008 after taking into consideration non-cash operating expenses of $3,235,000. This amount was offset by a net change in operating assets and payment or reduction of liabilities in the aggregate amount of $787,000. The increase in our fiscal year 2008 net loss was primarily due to current period increases in cost of contract manufacturing, research and development expenses and selling, general and administrative expenses, which were offset by an increase in contract manufacturing revenue.

The changes in operating activities 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 are as follows:

	Year Ended April 30,	
	2008	2007
Net loss, as reported	$ (23,176,000)	$ (20,796,000)
Less non-cash operating expenses:		
Depreciation and amortization	486,000	475,000
Stock-based compensation and common stock issued under stock bonus plan	850,000	1,324,000
Amortization of expenses paid in shares of common stock	-	391,000
Loss (gain) on sale of property	-	1,000
Net cash used in operating activities before changes in operating assets and liabilities	$ (21,840,000)	$ (18,605,000)
Net change in operating assets and liabilities	$ 913,000	$ 126,000
Net cash used in operating activities	$ (20,927,000)	$ (18,479,000)

Cash Used In Investing Activities. Net cash used in investing activities amounted to $580,000 for the year ended April 30, 2008 compared to net cash used in investing activities of $80,000 during the same prior year period. This increase in net cash used in investing activities of $500,000 was primarily due to a $471,000 increase in property acquisitions to support our current operations combined with a $179,000 increase in other assets. These increases in net cash used in investing activities were offset by the receipt of $150,000 in net security deposits from GE Capital Corporation during the current fiscal year upon the payment in full of various note payable amounts.

Cash Provided By Financing Activities. Net cash provided by financing activities increased $3,172,000 to $20,593,000 for the year ended April 30, 2008 compared to net cash provided of $17,421,000 for the same prior year period. Cash provided by financing activities during fiscal year 2008 was primarily due to proceeds received under a security 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, which was supplemented with net proceeds of $73,000 from the exercise of stock options and warrants. Cash provided by financing activities during fiscal year 2007 was primarily due to net proceeds received from the sale of our common stock under a security purchase agreement in the amount of $12,970,000 supplemented with net proceeds of $4,895,000 from the exercise of stock options and warrants.

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties, and exclude contingent liabilities for which we cannot reasonably predict future payments. The following chart represents our contractual obligations as of April 30, 2008, aggregated by type:

	Payments Due by Period (in thousands)				
	Total	< 1 year	1-3 years	4-5 years	After 5 years
Operating leases, net (1)	$ 8,198	$ 816	$ 2,468	$ 1,682	$ 3,232
Capital lease obligation (2)	47	24	23	-	-
Other long-term liabilities - minimum license obligations (3)	-	-	-	-	-
Total contractual obligations	$ 8,245	$ 840	$ 2,491	$ 1,682	$ 3,232

(1) Represents our (i) facility operating lease in Tustin, California under a non-cancelable lease agreement, (ii) facility operating lease in Houston, Texas, which has a three year lease term under a First Amendment to Lease Agreement dated March 1, 2008, and (iii) various office equipment leases, which generally have five year lease terms.

(2) Represents capital lease agreements to finance certain office and laboratory equipment. Amounts include principal and interest.

(3) Represents licensing agreements we periodically enter into with third parties to obtain exclusive or non-exclusive licenses for certain technologies. The terms of certain of these agreements require us to pay future milestone payments based on product development success. We do not anticipate making any milestone payments under any of our licensing agreements for at least the next fiscal year. In addition, milestone payments beyond fiscal year 2009 cannot be predicted due to the uncertainty of future clinical trial results and development milestones and therefore, cannot be reasonably predicted or estimated at the present time.

Recently Issued 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 will be effective for our fiscal year 2009, beginning May 1, 2008. Our adoption of SFAS No. 157 is not expected to have a material impact on our consolidated financial statements.

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. SFAS No. 159 will be effective for our fiscal year 2009, beginning May 1, 2008. Our adoption of SFAS No. 159 is not expected to have a material impact on our consolidated financial statements.

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. EITF No. 07-3 will be effective for our fiscal year 2009, beginning May 1, 2008. Our adoption of EITF No. 07-3 is not expected to 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.

ITEM 7A. 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 April 30, 2008, a near-term change in interest rates, based on historical movements, would not materially affect the fair value of interest rate sensitive instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements included in this Report at pages F-1 through F-32.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The term "disclosure controls and procedures" (defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act") refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of April 30, 2008. Based on this evaluation, our president and chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of April 30, 2008 to ensure the timely disclosure of required information in our Securities and Exchange Commission filings.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

(b) Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting and the report of our independent registered public accounting firm on our internal control over financial reporting, which appear on the following pages, are incorporated herein by this reference.

(c) Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year ended April 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PEREGRINE PHARMACEUTICALS, INC.
MANAGEMENT'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining effective internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting is supported by written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("the COSO Framework"). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of April 30, 2008.

Ernst & Young LLP, the independent registered public accounting firm that audited the company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting which appears on the following page.

By: /s/ Steven W. King
Steven W. King,
President & Chief Executive Officer, and Director

By: /s/ Paul J. Lytle
Paul J. Lytle
Chief Financial Officer

July 11, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Peregrine Pharmaceuticals, Inc.

We have audited Peregrine Pharmaceutical Inc.'s (the "Company") internal control over financial reporting as of April 30, 2008, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Peregrine Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 30, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Peregrine Pharmaceuticals, Inc. as of April 30, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2008 and our report dated July 10, 2008 expressed an unqualified opinion including an explanatory paragraph thereon.

/s/ Ernst & Young LLP

Orange County, California
July 10, 2008

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item regarding our directors, executive officers and committees of our board of directors is incorporated by reference to the information set forth under the captions "Election of Directors" and "Executive Compensation and Related Matters" in our 2008 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2008 (the "2008 Definitive Proxy Statement").

Information required by this Item regarding Section 16(a) reporting compliance is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2008 Proxy Statement.

Information required by this Item regarding our code of ethics is incorporated by reference to the information set forth under the caption "Corporate Governance" in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the information set forth under the caption "Executive Compensation and Related Matters" in our 2008 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2008.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the information set forth under the caption "Security Ownership of Directors and Executive Officers and Certain Beneficial Owners" in our 2008 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2008.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the information set forth under the captions "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation" in our 2008 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2008.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to the information set forth under the caption "Independent Registered Public Accounting Firm Fees" in our 2008 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2008.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

Index to consolidated financial statements:

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Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of April 30, 2008 and 2007	F-2
Consolidated Statements of Operations for each of the three years in the period ended April 30, 2008	F-4
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended April 30, 2008	F-5
Consolidated Statements of Cash Flows for each of the three years in the period ended April 30, 2008	F-6
Notes to Consolidated Financial Statements	F-8

(2) Financial Statement Schedules

The following schedule is filed as part of this Form 10-K:

Schedule II- Valuation of Qualifying Accounts for each of the three years in the period ended April 30, 2008	F-32

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of Techniclone Corporation, a Delaware corporation (Incorporated by reference to Exhibit B to the Company's 1996 Proxy Statement as filed with the Commission on or about August 20, 1996).
3.2	Amended and Restated Bylaws of Peregrine Pharmaceuticals, Inc. (formerly Techniclone Corporation), a Delaware corporation (Incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2003).
3.3	Certificate of Designation of 5% Adjustable Convertible Class C Preferred Stock as filed with the Delaware Secretary of State on April 23, 1997. (Incorporated by reference to Exhibit 3.1 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997).
3.4	Certificate of Amendment to Certificate of Incorporation of Techniclone Corporation to effect the name change to Peregrine Pharmaceuticals, Inc., a Delaware corporation. (Incorporated by reference to Exhibit 3.4 contained in Registrant's Annual Report on Form 10-K for the year ended April 30, 2001).
3.5	Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc. to increase the number of authorized shares of the Company's common stock to two hundred million shares (Incorporated by reference to Exhibit 3.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2003).
3.6	Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc. to increase the number of authorized shares of the Company's common stock to two hundred fifty million shares (Incorporated by reference to Exhibit 3.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2005).
3.7	Certificate of Designation of Rights, Preferences and Privileges of Series D Participating Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Delaware on March 16, 2006. (Incorporated by reference to Exhibit 3.7 to Registrant's Current Report on Form 8-K as filed with the Commission on March 17, 2006).
3.8	Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc. to increase the number of authorized shares of the Company's common stock to three hundred twenty five million shares (Incorporated by reference to Exhibit 3.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007).
3.9	Amended and Restated Bylaws of Peregrine Pharmaceuticals, Inc., a Delaware corporation (Incorporated by reference to Exhibit 3.9 to Registrant's Current Report on Form 8-K as filed with the Commission on December 21, 2007).
4.1	Form of Certificate for Common Stock (Incorporated by reference to the exhibit of the same number contained in Registrant's Annual Report on Form 10-K for the year end April 30, 1988).
4.13	Form of Stock Purchase Warrant to be issued to the Equity Line Subscribers pursuant to the Regulation D Common Stock Equity Subscription Agreement (Incorporated by reference to Exhibit 4.7 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about June 29, 1998).

Exhibit Number	Description
4.16	Form of Non-qualified Stock Option Agreement by and between Registrant, Director and certain consultants dated December 22, 1999 (Incorporated by reference to the exhibit contained in Registrant's Registration Statement on Form S-3 (File No. 333-40716)).*
4.17	Peregrine Pharmaceuticals, Inc. 2002 Non-Qualified Stock Option Plan (Incorporated by reference to the exhibit contained in Registrant's Registration Statement in Form S-8 (File No. 333-106385)).*
4.18	Form of 2002 Non-Qualified Stock Option Agreement (Incorporated by reference to the exhibit contained in Registrant's Registration Statement in Form S-8 (File No. 333-106385)).*
4.19	Preferred Stock Rights Agreement, dated as of March 16, 2006, between the Company and Integrity Stock Transfer, Inc., including the Certificate of Designation, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively (Incorporated by reference to Exhibit 4.19 to Registrant's Current Report on Form 8-K as filed with the Commission on March 17, 2006).
10.40	1996 Stock Incentive Plan (Incorporated by reference to the exhibit contained in Registrant's Registration Statement in form S-8 (File No. 333-17513)).*
10.41	Stock Exchange Agreement dated as of January 15, 1997 among the stockholders of Peregrine Pharmaceuticals, Inc. and Registrant (Incorporated by reference to Exhibit 2.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1997).
10.42	First Amendment to Stock Exchange Agreement among the Stockholders of Peregrine Pharmaceuticals, Inc. and Registrant (Incorporated by reference to Exhibit 2.1 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997).
10.43	Termination and Transfer Agreement dated as of November 14, 1997 by and between Registrant and Alpha Therapeutic Corporation (Incorporated by reference to Exhibit 10.1 contained in Registrant's Current Report on Form 8-K as filed with the commission on or about November 24, 1997).
10.47	Real Estate Purchase Agreement by and between Techniclone Corporation and 14282 Franklin Avenue Associates, LLC dated December 24, 1998 (Incorporated by reference to Exhibit 10.47 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999).
10.48	Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Techniclone Corporation, as Tenant, dated as of December 24, 1998 (Incorporated by reference to Exhibit 10.48 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999).
10.49	Promissory Note dated as of December 24, 1998 between Techniclone Corporation (Payee) and TNCA Holding, LLC (Maker) for $1,925,000 (Incorporated by reference to Exhibit 10.49 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999).

Exhibit Number	Description
10.50	Pledge and Security Agreement dated as of December 24, 1998 for $1,925,000 Promissory Note between Grantors and Techniclone Corporation (Secured Party) (Incorporated by reference to Exhibit 10.50 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999).
10.56	License Agreement dated as of March 8, 1999 by and between Registrant and Schering A.G. (Incorporated by reference to Exhibit 10.56 to Registrant's Annual Report on Form 10-K for the year ended April 30, 1999).**
10.57	Patent License Agreement dated October 8, 1998 between Registrant and the Board of Regents of the University of Texas System for patents related to Targeting the Vasculature of Solid Tumors (Vascular Targeting Agent patents) (Incorporated by reference to Exhibit 10.57 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1999).
10.58	Patent License Agreement dated October 8, 1998 between Registrant and the Board of Regents of the University of Texas System for patents related to the Coagulation of the Tumor Vasculature (Vascular Targeting Agent patents) (Incorporated by reference to Exhibit 10.58 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1999).
10.59	License Agreement between Northwestern University and Registrant dated August 4, 1999 covering the LYM-1 and LYM-2 antibodies (Oncolym) (Incorporated by reference to Exhibit 10.59 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1999).
10.67	Warrant to purchase 750,000 shares of Common Stock of Registrant issued to Swartz Private Equity, LLC dated November 19, 1999 (Incorporated by reference to Exhibit 10.67 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 2000).
10.73	Common Stock Purchase Agreement to purchase up to 6,000,000 shares of Common Stock of Registrant issued to ZLP Master Fund, LTD, ZLP Master Technology Fund, LTD, Eric Swartz, Michael C. Kendrick, Vertical Ventures LLC and Triton West Group, Inc. dated November 16, 2001 (Incorporated by reference to Exhibit 10.73 to Registrant's Current Report on Form 8-K dated November 19, 2001, as filed with the Commission on November 19, 2001).
10.74	Form of Warrant to be issued to Investors pursuant to the Common Stock Purchase Agreement dated November 16, 2001 (Incorporated by reference to Exhibit 10.74 to Registrant's Current Report on Form 8-K dated November 19, 2001, as filed with the Commission on November 19, 2001).
10.75	Common Stock Purchase Agreement to purchase 1,100,000 shares of Common Stock of Registrant issued to ZLP Master Fund, LTD and Vertical Capital Holdings, Ltd. dated January 28, 2002 (Incorporated by reference to Exhibit 10.75 to Registrant's Current Report on Form 8-K dated January 31, 2002, as filed with the Commission on February 5, 2002).
10.76	Form of Warrant to be issued to Investors pursuant to the Common Stock Purchase Agreement dated January 28, 2002 (Incorporated by reference to Exhibit 10.76 to Registrant's Current Report on Form 8-K dated January 31, 2002, as filed with the Commission on February 5, 2002).

Exhibit Number	Description
10.77	Securities Purchase Agreement dated as of August 9, 2002 between Registrant and Purchasers (Incorporated by reference to Exhibit 10.77 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.78	Form of Convertible Debentures issued to Purchasers pursuant to Securities Purchase Agreement dated August 9, 2002 (Incorporated by reference to Exhibit 10.78 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.79	Registration Rights Agreement dated August 9, 2002 between Registrant and Purchasers of Securities Purchase Agreements dated August 9, 2002 (Incorporated by reference to Exhibit 10.79 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.80	Form of Warrant to be issued to Purchasers pursuant to Securities Purchase Agreement dated August 9, 2002 (Incorporated by reference to Exhibit 10.80 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.81	Form of Warrant issued to Debenture holders pursuant to Securities Purchase Agreement dated August 9, 2002 (Incorporated by reference to Exhibit 10.81 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.82	Form of Adjustment Warrant issued to Investors pursuant to Securities Purchase Agreement dated August 9, 2002 (Incorporated by reference to Exhibit 10.82 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.83	Securities Purchase Agreement dated as of August 9, 2002 between Registrant and ZLP Master Fund, Ltd. (Incorporated by reference to Exhibit 10.83 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.84	Registration Rights Agreement dated August 9, 2002 between Registrant and ZLP Master Fund, Ltd. (Incorporated by reference to Exhibit 10.84 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.85	Form of Warrant to be issued to ZLP Master Fund, Ltd. pursuant to Securities Purchase Agreement dated August 9, 2002 (Incorporated by reference to Exhibit 10.85 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.86	Form of Adjustment Warrant issued to ZLP Master Fund, Ltd. pursuant to Securities Purchase Agreement dated August 9, 2002 (Incorporated by reference to Exhibit 10.86 to Registrant's Registration Statement on Form S-3 (File No. 333-99157), as filed with the Commission on September 4, 2002).
10.87	Common Stock Purchase Agreement dated June 6, 2003 between Registrant and eight institutional investors (Incorporated by reference to Exhibit 10.87 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2003).

Exhibit Number	Description
10.88	Common Stock Purchase Agreement dated June 6, 2003 between Registrant and one institutional investor (Incorporated by reference to Exhibit 10.88 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2003).
10.89	Common Stock Purchase Agreement dated June 26, 2003 between Registrant and seven institutional investors (Incorporated by reference to Exhibit 10.89 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2003).
10.90	Common Stock Purchase Agreement dated July 24, 2003 between Registrant and one institutional investor (Incorporated by reference to Exhibit 10.90 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2003).
10.91	Common Stock Purchase Agreement dated September 18, 2003 between Registrant and one institutional investor (Incorporated by reference to Exhibit 10.91 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2003).
10.92	Common Stock Purchase Agreement dated January 22, 2004 between Registrant and one institutional investor (Incorporated by reference to Exhibit 10.92 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 2004).
10.93	Common Stock Purchase Agreement dated March 31, 2004 between Registrant and one institutional investor (Incorporated by reference to Exhibit 10.93 to Registrant's Annual Report on Form 10-K for the year ended April 30, 2005).
10.95	2003 Stock Incentive Plan Non-qualified Stock Option Agreement (Incorporated by reference to the exhibit contained in Registrant's Registration Statement in form S-8 (File No. 333-121334).*
10.96	2003 Stock Incentive Plan Incentive Stock Option Agreement (Incorporated by reference to the exhibit contained in Registrant's Registration Statement in form S-8 (File No. 333-121334)).*
10.97	Common Stock Purchase Agreement dated January 31, 2005 between Registrant and one institutional investor (Incorporated by reference to Exhibit 10.97 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 2005).
10.98	Form of Incentive Stock Option Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.98 to Registrant's Current Report on Form 8-K as filed with the Commission on October 28, 2005).*
10.99	Form of Non-Qualified Stock Option Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.99 to Registrant's Current Report on Form 8-K as filed with the Commission on October 28, 2005).*
10.100	Peregrine Pharmaceuticals, Inc. 2005 Stock Incentive Plan (Incorporated by reference to Exhibit B to Registrant's Definitive Proxy Statement filed with the Commission on August 29, 2005).*
10.101	First Amendment to Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Peregrine Pharmaceuticals, Inc., as Tenant, dated December 22, 2005 (Incorporated by reference to Exhibit 99.1 and 99.2 to Registrant's Current Report on Form 8-K as filed with the Commission on December 23, 2005).
10.102	Common Stock Purchase Agreement dated May 11, 2005 between Registrant and one institutional investor (Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on May 11, 2005).

Exhibit Number	Description
10.103	Common Stock Purchase Agreement dated June 22, 2005 between Registrant and one institutional investor (Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K as filed with the Commission on June 24, 2005).
10.104	Common Stock Purchase Agreement dated November 23, 2005 between Registrant and one institutional investor (Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on November 23, 2005).
10.105	Common Stock Purchase Agreement dated April 5, 2006 between Registrant and one institutional investor (Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K as filed with the Commission on April 6, 2006).
10.106	Form of Performance Share Award Agreement / Stock Bonus Plan dated February 13, 2006 between Registrant and key employees and consultants. **
10.107	Common Stock Purchase Agreement dated June 16, 2006 between Registrant and one institutional investor (Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K as filed with the Commission on June 19, 2006).
10.108	Placement Agent Agreement dated June 27, 2007, between Registrant and Rodman & Renshaw, LLC (Incorporated by reference to Exhibit 1.1 to Registrant's Current Report on Form 8-K as filed with the Commission on June 28, 2007).
10.109	Form of Securities Purchase Agreement dated June 28, 2007 (Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K as filed with the Commission on June 28, 2007).
21	Subsidiaries of Registrant ***
23.1	Consent of Independent Registered Public Accounting Firm ***
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.***
31.2	Certification of 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.***

* *This Exhibit is a management contract or a compensation plan or arrangement.*
** *Portions omitted pursuant to a request of confidentiality filed separately with the Commission.*
*** *Filed herewith.*

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.

Dated: July 11, 2008

PEREGRINE PHARMACEUTICALS, INC.

By: /s/ STEVEN W. KING
Steven W. King,
President & Chief Executive Officer, and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steven W. King, President and Chief Executive Officer, and Paul J. Lytle, Chief Financial Officer and Corporate Secretary, and each of them, his true and lawful attorneys-in-fact and agents, with the full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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), and Director	July 11, 2008
/s/ Paul J. Lytle Paul J. Lytle	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	July 11, 2008
/s/ Carlton M. Johnson Carlton M. Johnson	Director	July 11, 2008
/s/ David H. Pohl David H. Pohl	Director	July 11, 2008
/s/ Eric S. Swartz Eric S. Swartz	Director	July 11, 2008
/s/ Dr. Thomas A. Waltz Thomas A. Waltz, M.D.	Director	July 11, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Peregrine Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Peregrine Pharmaceuticals, Inc. (the "Company") as of April 30, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended April 30, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15 (a)(2). 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peregrine Pharmaceuticals, Inc. at April 30, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended April 30, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for Share-Based Payments in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) effective May 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Peregrine Pharmaceuticals, Inc.'s internal control over financial reporting as of April 30, 2008, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 10, 2008 expressed an unqualified opinion thereon.

The accompanying financial statements have been prepared assuming Peregrine Pharmaceuticals, Inc. will continue as a going concern. As more fully described in Note 1, the Company's recurring losses from operations and recurring negative cash flows from operating activities raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Orange County, California
July 10, 2008

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,130,000	$ 16,044,000
Trade and other receivables	605,000	750,000
Inventories, net	2,900,000	1,916,000
Prepaid expenses and other current assets	1,208,000	1,188,000
Total current assets	19,843,000	19,898,000
PROPERTY:		
Leasehold improvements	669,000	646,000
Laboratory equipment	4,140,000	3,533,000
Furniture, fixtures and computer equipment	919,000	873,000
	5,728,000	5,052,000
Less accumulated depreciation and amortization	(3,670,000)	(3,212,000)
Property, net	2,058,000	1,840,000
Other assets	1,156,000	1,259,000
TOTAL ASSETS	$ 23,057,000	$ 22,997,000

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2008 AND 2007 (continued)

	2008	2007
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,060,000	$ 1,683,000
Accrued clinical trial site fees	237,000	228,000
Accrued legal and accounting fees	450,000	392,000
Accrued royalties and license fees	222,000	337,000
Accrued payroll and related costs	1,084,000	874,000
Notes payable, current portion	-	379,000
Capital lease obligation, current portion	22,000	17,000
Deferred revenue	2,196,000	1,060,000
Customer deposits	838,000	585,000
Other current liabilities	331,000	300,000
Total current liabilities	7,440,000	5,855,000
Notes payable, less current portion	-	119,000
Capital lease obligation, less current portion	22,000	30,000
Deferred license revenue	-	4,000
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 196,112,201, respectively	226,000	196,000
Additional paid-in-capital	246,205,000	224,453,000
Accumulated deficit	(230,836,000)	(207,660,000)
Total stockholders' equity	15,595,000	16,989,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 23,057,000	$ 22,997,000

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, 2008

	2008	2007	2006
REVENUES:			
Contract manufacturing revenue	$ 5,897,000	$ 3,492,000	$ 3,005,000
License revenue	196,000	216,000	188,000
Total revenues	6,093,000	3,708,000	3,193,000
COSTS AND EXPENSES:			
Cost of contract manufacturing	4,804,000	3,296,000	3,297,000
Research and development	18,279,000	15,876,000	12,415,000
Selling, general and administrative	7,150,000	6,446,000	6,564,000
Total costs and expenses	30,233,000	25,618,000	22,276,000
LOSS FROM OPERATIONS	(24,140,000)	(21,910,000)	(19,083,000)
OTHER INCOME (EXPENSE):			
Recovery of note receivable	-	-	1,229,000
Interest and other income	989,000	1,160,000	846,000
Interest and other expense	(25,000)	(46,000)	(53,000)
NET LOSS	$ (23,176,000)	$ (20,796,000)	$ (17,061,000)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	221,148,342	192,297,309	168,294,782
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.10)	$ (0.11)	$ (0.10)

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2008

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Stock Compensation	Accumulated Deficit	Total Stockholders' Equity
BALANCES, April 30, 2005	**152,983,460**	**$ 153,000**	**$ 180,011,000**	**$ (751,000)**	**$ (169,803,000)**	**$ 9,610,000**
Common stock issued for cash under January 31, 2005 Financing, net of issuance costs of $6,000	1,582,217	1,000	1,575,000	-	-	1,576,000
Common stock issued for cash under May 11, 2005 Financing, net of issuance costs of $11,000	3,125,000	3,000	2,986,000	-	-	2,989,000
Common stock issued for cash under June 22, 2005 Financing, net of issuance costs of $29,000	8,000,000	8,000	6,683,000	-	-	6,691,000
Common stock issued for cash under November 23, 2005 Financing, net of issuance costs of $1,000	8,000,000	8,000	6,711,000	-	-	6,719,000
Common stock issued for cash under April 5, 2006 Financing, net of issuance costs of $1,000	4,000,000	4,000	4,915,000	-	-	4,919,000
Common stock issued to various unrelated entities for research services	695,820	1,000	906,000	-	-	907,000
Common stock issued upon exercise of options and warrants	966,742	1,000	732,000	-	-	733,000
Common stock issued under the Company's stock bonus plan	28,952	-	44,000	-	-	44,000
Deferred stock compensation	-	-	(17,000)	17,000	-	-
Stock-based compensation	-	-	-	499,000	-	499,000
Net loss	-	-	-	-	(17,061,000)	(17,061,000)
BALANCES, April 30, 2006	**179,382,191**	**179,000**	**204,546,000**	**(235,000)**	**(186,864,000)**	**17,626,000**
Common stock issued for cash under June 16, 2006 Financing, net of issuance costs of $30,000	9,285,714	10,000	12,960,000	-	-	12,970,000
Common stock issued to various unrelated entities for prepaid research services	862,832	1,000	930,000	-	-	931,000
Common stock issued upon exercise of options	65,350	-	59,000	-	-	59,000
Common stock issued upon exercise of warrants, net of issuance costs of $16,000	6,266,788	6,000	4,830,000	-	-	4,836,000
Common stock issued under stock bonus plan	249,326	-	342,000	-	-	342,000
Elimination of deferred stock compensation upon adoption of SFAS No. 123R	-	-	(235,000)	235,000	-	-
Stock-based compensation	-	-	1,021,000	-	-	1,021,000
Net loss	-	-	-	-	(20,796,000)	(20,796,000)
BALANCES, April 30, 2007	**196,112,201**	**196,000**	**224,453,000**	**-**	**(207,660,000)**	**16,989,000**
Common stock issued for cash under June 28, 2007 Financing, net of issuance costs of $1,641,000	30,000,000	30,000	20,829,000	-	-	20,859,000
Common stock issued upon exercise of options	45,000	-	27,000	-	-	27,000
Common stock issued upon exercise of warrants, net of issuance costs of nil	53,416	-	46,000	-	-	46,000
Stock-based compensation	-	-	850,000	-	-	850,000
Net loss	-	-	-	-	(23,176,000)	(23,176,000)
BALANCES, April 30, 2008	**226,210,617**	**$ 226,000**	**$ 246,205,000**	**$ -**	**$ (230,836,000)**	**$ 15,595,000**

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, 2008

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (23,176,000)	$ (20,796,000)	$ (17,061,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	486,000	475,000	415,000
Stock-based compensation and issuance of common stock under stock bonus plan	850,000	1,324,000	543,000
Amortization of expenses paid in shares of common stock	-	391,000	1,048,000
Loss (gain) on sale of property	-	1,000	(6,000)
Recovery of note receivable	-	-	(1,229,000)
Changes in operating assets and liabilities:			
Trade and other receivables	145,000	(171,000)	(93,000)
Inventories	(984,000)	(1,031,000)	(258,000)
Prepaid expenses and other current assets	(203,000)	(113,000)	(410,000)
Accounts payable	377,000	450,000	(92,000)
Accrued clinical trial site fees	9,000	58,000	162,000
Deferred revenue	1,132,000	480,000	17,000
Accrued payroll and related expenses	210,000	63,000	44,000
Other accrued expenses and current liabilities	227,000	390,000	(37,000)
Net cash used in operating activities	(20,927,000)	(18,479,000)	(16,957,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Refund of security deposits on notes payable (net of applied security deposits on notes payable of $175,000 in 2008)	150,000	-	-
Property acquisitions	(691,000)	(220,000)	(618,000)
(Increase) decrease in other assets, net	(39,000)	140,000	(171,000)
Recovery of note receivable	-	-	1,229,000
Net cash (used in) provided by investing activities	(580,000)	(80,000)	440,000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net of issuance costs of $1,641,000, $46,000, and $48,000, respectively	20,932,000	17,865,000	23,627,000
Proceeds from issuance of notes payable	-	-	566,000
Principal payments on notes payable and capital lease (net of applied security deposits on notes payable of $175,000 in 2008)	(339,000)	(444,000)	(310,000)
Net cash provided by financing activities	20,593,000	17,421,000	23,883,000

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2008 (continued)

	2008	2007	2006
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (914,000)	$ (1,138,000)	$ 7,366,000
CASH AND CASH EQUIVALENTS, Beginning of year	16,044,000	17,182,000	9,816,000
CASH AND CASH EQUIVALENTS, End of year	$ 15,130,000	$ 16,044,000	$ 17,182,000
SUPPLEMENTAL INFORMATION:			
Interest paid	$ 25,000	$ 50,000	$ 49,000
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Property acquired under capital lease	$ 13,000	$ -	$ 65,000
Applied security deposit on payoff of notes payable to GE Capital	$ 175,000	$ -	$ -
Common stock issued for research fees and prepayments for future research services	$ -	$ 931,000	$ 907,000

For supplemental information relating to common stock issued in exchange for services, property acquired under capital lease, and property financed in exchange for notes payable, see Notes 5 and 8.

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BUSINESS DESCRIPTION

Organization – In this Annual Report, "Peregrine," "Company," "we," "us," and "our," refer to Peregrine Pharmaceuticals, Inc. and our wholly owned subsidiary Avid Bioservices®, Inc. Peregrine was incorporated under the laws of the state of California in June 1981, reincorporated in Delaware in September 1996 and commenced operations of Avid Bioservices®, Inc. ("Avid") in January 2002.

Business Description – Peregrine a biopharmaceutical company developing a portfolio of clinical stage and pre-clinical product candidates using monoclonal antibodies ("MAb") for the treatment of cancer and viral diseases. We are advancing three separate clinical programs encompassing two platform technologies: Anti-PhosphatidylSerine ("Anti-PS") Immunotherapeutics and Tumor Necrosis Therapies ("TNT"). Our lead Anti-PS Immunotherapeutic MAb product, bavituximab, is in clinical trials for the treatment of both solid cancer tumors and hepatitis C virus ("HCV") infection. Bavituximab as an anti-viral agent has completed Phase Ia and Phase Ib clinical studies for the treatment of HCV infection and is currently in a third Phase I clinical study to evaluate the safety and anti-viral activity of bavituximab over a longer dosing period in patients co-infected with HCV and the Human Immunodeficiency Virus ("HIV"). Bavituximab as an anti-cancer agent is in a Phase I monotherapy trial for the treatment of solid tumors in the U.S. and has recently completed enrollment in the first stage of a two-stage Phase II trial for the treatment of breast cancer in combination with chemotherapy in the Republic of Georgia. In addition during June 2008, we initiated two separate Phase II studies in India for the treatment of patients with non-small cell lung cancer and breast cancer, respectively, using bavituximab in combination with chemotherapy. Under our TNT platform technology, our lead candidate Cotara®, is currently in a dose confirmation and dosimetry clinical trial in the U.S. and in a Phase II clinical trial in India, both for the treatment of glioblastoma multiforme, a deadly form of brain cancer.

We are organized into two reportable operating segments: (i) Peregrine, the parent company, is engaged in the research and development of monoclonal antibodies for the treatment of cancer and viral diseases and (ii) Avid Bioservices®, Inc., ("Avid") our wholly owned subsidiary, is engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-services 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 April 30, 2008, we had $15,130,000 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 Avid. 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 in fiscal year 2009.

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 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 April 30, 2008, we had an aggregate of approximately 5,031,000 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.

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 are actively pursuing strategic initiatives for Avid as a means of 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 includes projected revenues from existing customers of Avid, combined with the projected revenues from our government contract, 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 fiscal year 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which would reduce or delay our future projected cash-inflows. 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

Basis of Presentation - The accompanying consolidated financial statements include the accounts of Peregrine and its wholly owned subsidiary, Avid Bioservices®, Inc. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents - We consider all highly liquid, short-term investments with an initial maturity of three months or less to be cash equivalents.

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 April 30, 2008 and 2007, based on our analysis of our accounts receivable balances, we determined no allowance for doubtful accounts was necessary.

Prepaid Expenses - Our prepaid expenses primarily represent pre-payments made to secure the receipt of services at a future date. In addition, we have prepaid various research and development related services through the issuance of shares of our common stock to unrelated entities, which are expensed once the services have been provided under the terms of the arrangement. As of April 30, 2008 and 2007, prepaid expenses and other current assets in the accompanying consolidated financial statements include $475,000 in research and development services prepaid with shares of our common stock to Affitech AS under a research collaboration agreement for the generation of fully human monoclonal antibodies against two targets that are currently undefined and contain no expiration clauses. We will expense these prepaid targets once they are defined and delivered to Affitech AS in accordance with the terms of the agreement, which we expect will occur within the next twelve months.

Inventories - Inventories are stated at the lower of cost or market and include raw materials, direct labor, and overhead costs associated with our wholly owned subsidiary, Avid. Cost is determined by the first-in, first-out method. Inventories consist of the following at April 30,:

	2008	2007
Raw materials, net	$ 1,115,000	$ 810,000
Work-in-process	1,785,000	1,106,000
Total inventories	$ 2,900,000	$ 1,916,000

Concentrations of Credit Risk - The majority of trade and other receivables as of April 30, 2008, are from customers in the United States and Germany. The majority of trade and other receivables as of April 30, 2007, are from customers in the United States, Germany and Israel. Most contracts require up-front payments and installment payments during the term of the service. We perform periodic credit evaluations of our ongoing customers and generally do not require collateral, but we can terminate any contract if a material default occurs. Allowances are maintained for potential credit losses and as of April 30, 2008 and 2007 no allowances were deemed necessary.

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

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 ten 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 - Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We assess recoverability of our 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. Long-lived assets are reported at the lower of carrying amount or fair value less cost to sell.

Customer Deposits - Customer deposits primarily represents advance payments received from customers prior to the initiation of contract manufacturing services.

Deferred Revenue - Deferred revenue primarily consists of installment payments received by Avid prior to the recognition of revenues under customer service agreements and up-front license fees received by Peregrine under technology licensing agreements. Deferred revenue is generally recognized once the service has been provided, all obligations have been met and/or upon shipment of the product to the customer.

Revenue Recognition - We currently derive revenues primarily from licensing agreements associated with Peregrine's technologies under development and from contract manufacturing services provided by Avid.

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 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.

Revenues associated with licensing agreements primarily consist of nonrefundable up-front license fees and milestones 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 ongoing involvement or performance obligations exist, are generally recorded as deferred revenue and generally recognized as revenue over the term of the performance obligation or relevant agreement. Milestone payments are recognized as revenue upon the achievement of mutually agreed milestones, provided that (i) the milestone event is substantive and its achievement is not reasonably assured at the inception of the agreement, and (ii) there are no continuing performance obligations associated with the milestone payment. Under a license agreement with Schering A.G. (Note 7), the obligation period was not contractually defined in relation to a $300,000 upfront fee. Under this circumstance, we exercised judgment in estimating the period of time over which certain deliverables will be provided to enable the licensee to practice the license, which was determined to be 48 months. The estimated period of 48 months was primarily determined based on our historical experience with Schering A.G. under a separate license agreement.

Contract manufacturing revenues 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.

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.

Fair Value of Financial Instruments - Our financial instruments consist principally of cash and cash equivalents, receivables, inventories, accounts payable, and accrued liabilities. We believe all of the financial instruments' recorded values approximate fair values due to the short-term nature of these instruments.

Reclassification - Certain amounts in fiscal year 2007 consolidated financial statements have been reclassified to conform to the current year presentation.

Use of Estimates - The preparation of our financial statements in conformity with U.S. generally accepted accounting principles 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.

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. 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 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 common share amounts for the three years ended April 30, 2008.

The calculation of weighted average diluted shares outstanding excludes the dilutive effect of options and warrants to purchase up to 928,801, 2,071,087 and 3,433,414 shares of common stock for the fiscal years ended April 30, 2008, 2007 and 2006, 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 to purchase up to 10,455,216, 7,218,883 and 9,090,374 shares of common stock for the fiscal years ended April 30, 2008, 2007 and 2006, 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.

Income Taxes - We utilize the liability method of accounting for income taxes as set forth in Statement of Financial Accounting Standards 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.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109,* which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. We adopted the provisions of FIN No. 48 on May 1, 2007 (Note 11).

Research and Development - Research and development costs are charged to expense when incurred in accordance with Statement of Financial Accounting Standards No. 2, *Accounting for Research and Development Costs*. Research and development expenses primarily include (i) payroll and related costs associated with research and development personnel, (ii) costs related to clinical and pre-clinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) technology access and maintenance fees, including fees incurred under licensing agreements, (v) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (vi) other research and development expenses.

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 will be effective for our fiscal year 2009, beginning May 1, 2008. Our adoption of SFAS No. 157 is not expected to have a material impact on our consolidated financial statements.

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. SFAS No. 159 will be effective for our fiscal year 2009, beginning May 1, 2008. Our adoption of SFAS No. 159 is not expected to have a material impact on our consolidated financial statements.

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. EITF No. 07-3 will be effective for our fiscal year 2009, beginning May 1, 2008. Our adoption of EITF No. 07-3 is not expected to 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. STOCK-BASED COMPENSATION

We currently maintain four equity compensation plans referred to as the 1996 Plan, the 2002 Plan, the 2003 Plan, and the 2005 Plan (collectively referred to as the "Option Plans"). The Option Plans provide for the granting of options 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 options generally vest over a two to four year period and no options are exercisable after ten years from the date of grant.

Prior to May 1, 2006, we accounted for stock options granted under the Option Plans in accordance with Accounting Principles Board No. 25 ("APB No. 25"), *Accounting for Stock Issued to Employees and Related Interpretations*, as permitted by FASB Statement of Financial Accounting Standard No. 123 ("SFAS No. 123"), *Accounting for Stock-Based Compensation*. Accordingly, no compensation expense was recognized in the accompanying consolidated statements of operations for fiscal year 2006 related to stock option grants, as all options granted under the Option Plans had an exercise price at least equal to the fair market value of the underlying common stock on the grant date.

On May 1, 2006, we adopted Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"), *Share-Based Payment (Revised 2004)*, which supersedes our previous accounting under APB No. 25. 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 (vesting period). We adopted SFAS No. 123R using the modified-prospective method and, accordingly, stock-based compensation cost recognized beginning May 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of May 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted on or subsequent to May 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Results for fiscal year 2006 have not been restated.

Our net loss for fiscal years ended April 30, 2008 and 2007, increased $829,000 ($0.004 per basic and diluted share) and $964,000 ($0.005 per basic and diluted share), respectively, as a result of the adoption of SFAS No. 123R, which costs are included in the accompanying consolidated statements of operations as follows:

	2008	2007
Research and development	$ 534,000	$ 589,000
Selling, general and administrative	295,000	375,000
Total	$ 829,000	$ 964,000

The fair value of each option grant is estimated using the Black-Scholes option valuation model and is amortized as compensation expense on a straight-line basis over the requisite service period of the award, which is generally the vesting period (typically 2 to 4 years). The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. The expected volatility is based on the daily historical volatility of our stock covering the estimated expected term. The expected term of options granted prior to the adoption of SFAS No. 123R (adopted May 1, 2006) was based on the average estimated expected life of the options granted during the fiscal year. The expected term of options granted subsequent to the adoption of SFAS No. 123R through our quarter ended October 31, 2007 was based on the expected time to exercise using the "simplified" method allowable under the Securities and Exchange Commission's Staff Accounting Bulletin 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. The expected dividend yield assumption is based on our expectation of future dividend payouts. We have never declared or paid any cash dividends on our common stock and currently do not anticipate paying such cash dividends. 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. The fair value of stock options on the date of grant and the weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model for fiscal years ended April 30, 2008, 2007 and 2006, were as follows:

	Year Ended April 30,		
	2008	2007	2006
Risk-free interest rate	3.77%	4.83%	3.88%
Expected life (in years)	6.02	6.25	5.49
Expected volatility	82%	98%	103%
Expected dividend yield	-	-	-

As of April 30, 2008, options to purchase up to 14,689,064 shares of our common stock were issued and outstanding under the Option Plans with a weighted average exercise price of $1.24 per share and expire at various dates through March 31, 2018. Options to purchase up to 1,201,811 shares of common stock were available for future grant under the Option Plans as of April 30, 2008.

The following summarizes all stock option transaction activity for fiscal year ended April 30, 2008:

Stock Options	Shares	Weighted Average Exercisable Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding, May 1, 2007	11,537,946	$ 1.54		
Granted	4,231,894	$ 0.48		
Exercised	(45,000)	$ 0.60		
Canceled or expired	(1,035,776)	$ 1.49		
Outstanding, April 30, 2008	14,689,064	$ 1.24	6.09	$ 177,000
Exercisable and expected to vest	14,355,394	$ 1.25	6.02	$ 173,000
Exercisable, April 30, 2008	9,990,396	$ 1.51	4.67	$ 97,000

The weighted-average grant date fair value of options granted during the years ended April 30, 2008, 2007 and 2006 was $0.35, $1.05 and $0.91 per share, respectively. The aggregate intrinsic value of stock options exercised during the years ended April 30, 2008, 2007 and 2006 was $19,000, $38,000 and $55,000, respectively.

Cash proceeds from stock options exercised during the years ended April 30, 2008, 2007 and 2006 totaled $27,000, $59,000 and $122,000, respectively.

We issue shares of common stock that are reserved for issuance under the Option Plans upon the exercise of stock options, and we do not expect to repurchase shares of common stock from any source to satisfy our obligations under our compensation plans.

As of April 30, 2008, the total estimated unrecognized compensation cost related to non-vested stock options was $1,949,000. This cost is expected to be recognized over a weighted average vesting period of 2.25 years based on current assumptions.

As discussed above, results for fiscal year 2006 have not been restated to reflect the effects of implementing SFAS No. 123R. Prior to May 1, 2006, we accounted for our stock option grants in accordance with APB No. 25 and provided the pro forma disclosures required by SFAS No. 123. The following table illustrates the effect on net loss and net loss per share for the year ended April 30, 2006 had we applied the fair value recognition provisions of SFAS No. 123 to our stock option grants:

Net loss, as reported	$	(17,061,000)
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards		(1,755,000)
Net loss, pro forma	$	(18,816,000)
Basic and diluted net loss per share:		
Net loss, as reported	$	(0.10)
Net loss, pro forma	$	(0.11)

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*. Stock-based compensation expense recorded during fiscal years 2008, 2007 and 2006 associated with non-employees amounted to $21,000, $57,000 and $499,000, respectively.

In addition, during February 2006, our Compensation Committee of the Board of Directors approved a Stock Bonus Plan that remained in effect through April 30, 2007 to promote the interests of the Company and its stockholders by issuing key employees and consultants a predetermined number of shares of the Company's common stock upon achievement of various research and clinical goals ("Performance Goals"). Compensation expense associated with shares issued under the Stock Bonus Plan was calculated in accordance with APB No. 25 and EITF 96-18. In accordance with APB No. 25 and EITF 96-18, we recorded compensation expense at each reporting period when it became probable that a Performance Goal under the Stock Bonus Plan would be achieved and this accrual was carefully assessed at each subsequent reporting period and adjusted accordingly until the Performance Goal was actually achieved. Decreases or increases to these accruals were accounted for as cumulative catch-up adjustments under FIN 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Awards Plans*. During fiscal years 2007 and 2006, we recorded $304,000 and $83,000, respectively, in compensation expense under the Stock Bonus Plan.

4. RECOVERY OF NOTE RECEIVABLE

During December 1998, we completed the sale and subsequent leaseback of our two facilities in Tustin, California and recorded an initial note receivable from the buyer of $1,925,000 as part of the consideration. During the quarter ended October 31, 1999, we established a 100% reserve for the note receivable in the amount of $1,887,000 based on our then financial condition and the underlying terms of the note agreement. We reduced the reserve as monthly payments were received and we recorded the reduction as interest and other income in the accompanying consolidated statements of operations. On December 22, 2005, we entered into a First Amendment to Lease and Agreement of Lease ("First Amendment") with the landlord to our original lease dated December 24, 1998 and extended the original lease term for seven years, which extends our contractual commitment under the operating lease through December 2017. In addition, the monthly lease payment terms under the original lease, which increase at a rate of 3.35% every two years, have not been modified. In connection with this First Amendment, we entered into a separate agreement with the landlord on December 22, 2005 regarding the immediate payoff of our note receivable in the amount of $1,229,000, which amount was recorded as recovery of note receivable in the accompanying consolidated statements of operations during fiscal year 2006.

5. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

During fiscal years 2005 and 2006, we entered into five separate note payable agreements with an aggregate original principal amount of approximately $1,299,000 (the "Notes") with General Electric Capital ("GE") to finance certain laboratory equipment. The Notes bore interest at various rates ranging from 5.78% to 6.87% per annum with monthly payments ranging from approximately $3,000 to $12,000 over a period of 36 months. In addition, under the terms of the Notes, we paid GE a security deposit equal to 25% of the original principal amount of the Notes that totaled $325,000 in aggregate. The security deposits were due and payable to us at the time the Notes were paid in full.

During January 2008, we paid in full the balance of the Notes, which amount was offset by an applied security deposit in the amount of $175,000. In addition, the remaining security deposit of $150,000 was refunded back to us in January 2008.

Notes Payable consist of the following at April 30, 2008 and April 30, 2007:

	April 30, 2008	April 30, 2007
Note payable dated November 2004; 5.78% per annum; monthly payments of $11,000	$ -	$ 83,000
Note payable dated December 2004; 5.85% per annum; monthly payments of $12,000	-	103,000
Note payable dated June 2005; 6.39% per annum; monthly payments of $8,000	-	117,000
Note payable dated November 2005; 6.63% per annum; monthly payments of $3,000	-	60,000
Note payable dated March 2006; 6.87% per annum; monthly payments of $6,000	-	135,000
	-	498,000
Less current portion	(-)	(379,000)
Notes payable, less current portion	$ -	$ 119,000

During December 2005, we financed certain equipment under a capital lease agreement in the amount of $65,000. The agreement bears interest at a rate of 6.30% per annum with payments due monthly in the amount of approximately $1,600 through December 2009.

During April 2008, we financed certain equipment under a capital lease agreement in the amount of $15,000. The agreement bears interest at a rate of 6.56% per annum with payments due monthly in the amount of approximately $400 through April 2011.

The equipment purchased under these capital leases is included in property in the accompanying consolidated financial statements at April 30, 2008 as follows:

Laboratory equipment	$	13,000
Furniture, fixtures and office equipment		68,000
Less accumulated depreciation		(32,000)
Net book value	$	49,000

Minimum future capital lease payments as of April 30, 2008 are as follows:

Year ending April 30:	
2009	24,000
2010	18,000
2011	5,000
Total minimum lease payments	47,000
Amount representing interest	(3,000)
Net present value minimum lease payments	44,000
Less current portion	22,000
	$ 22,000

6. COMMITMENTS AND CONTINGENCIES

Operating Leases - In December 1998, we sold and subsequently leased back our 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. On December 22, 2005, we entered into a First Amendment to Lease and Agreement of Lease ("First Amendment") with the landlord to our original lease dated December 24, 1998 and extended the original lease term for seven additional years to expire on December 31, 2017 while maintaining our two 5-year renewal options that could extend our lease to December 31, 2027. Our monthly lease payments will continue to increase at a rate of 3.35% every two years under the First Amendment. We record rent expense on a straight-line basis and the differences between the amounts paid and the amounts expensed are included in other current liabilities in the accompanying consolidated financial statements. Annual rent expense under the lease agreement totaled $807,000, during fiscal years 2008 and 2007 and $758,000 during fiscal year 2006.

During fiscal year 2004, we entered into an operating lease agreement to lease certain office equipment, which has a 5-year term and expires during fiscal year 2009. The remaining annual minimum lease payments are $12,000.

During February 2005, we entered into an operating lease agreement to lease certain office space in Houston, Texas. The lease has a 3-year term and expired in February 2008. During March 2008, we entered into a First Amendment to Lease with the landlord to our original lease agreement to extend the lease term for an additional 3-year term to expire in February 2011. Annual minimum lease payments for fiscal years 2009, 2010 and 2011 under the First Amendment to Lease total $23,000, $24,000 and $21,000, respectively, plus a pro rata share of monthly operating expenses. Rent expense under the lease agreement totaled $24,000 during fiscal year 2008 and $21,000 during fiscal years 2007 and 2006.

At April 30, 2008, future minimum lease payments under all non-cancelable operating leases are as follows:

Year ending April 30:	Minimum Lease Payments
2009	$ 816,000
2010	820,000
2011	825,000
2012	823,000
2013	832,000
Thereafter	4,082,000
	$ 8,198,000

Rental Income – Sublease rental income totaled $35,000 and $59,000 for fiscal years 2007 and 2006, respectively. There was no sublease rental income during fiscal year 2008.

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 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.

7. LICENSE, RESEARCH AND DEVELOPMENT AGREEMENTS

The following represents a summary of our key collaborations for the development and commercialization of our products in clinical trials, bavituximab and Cotara® and our products in pre-clinical development. In addition, we do not perform any research and development activities for any unrelated entities.

Tumor Necrosis Therapy ("TNT")

Cotara® is the trade name of our first TNT-based product currently in clinical trials for the treatment of brain cancer. We acquired the rights to the TNT technology in July 1994 after the merger between Peregrine and Cancer Biologics, Inc. was approved by our stockholders. The assets acquired from Cancer Biologics, Inc. primarily consisted of patent rights to the TNT technology. To date, no product revenues have been generated from our TNT technology.

In October 2004, we entered into a worldwide non-exclusive license agreement with Lonza Biologics ("Lonza") for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of Cotara®. Under the terms of the agreement, we will pay a royalty on net sales of any products that we market that utilize the underlying technology. In the event a product is approved and we or Lonza do not manufacture Cotara®, we would owe Lonza 300,000 pounds sterling per year in addition to an increased royalty on net sales.

Anti-PhosphatidylSerine ("Anti-PS") Immunotherapeutics

Bavituximab is the generic name for our first product in clinical trials under our Anti-PS Immunotherapeutics technology platform. In August 2001, we exclusively in-licensed the worldwide rights to this technology platform from the University of Texas Southwestern Medical Center at Dallas. During November 2003 and October 2004, we entered into two non-exclusive license agreements with Genentech, Inc. to license certain intellectual property rights covering methods and processes for producing antibodies used in connection with the development of our Anti-PS Immunotherapeutics program. During December 2003, we entered into an exclusive commercial license agreement with an unrelated entity covering the generation of the chimeric monoclonal antibody, bavituximab. In March 2005, we entered into a worldwide non-exclusive license agreement with Lonza Biologics for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of bavituximab.

Under our in-licensing agreements relating to the Anti-PS Immunotherapeutics technology, we typically pay an up-front license fee, annual maintenance fees, and are obligated to pay future milestone payments based on development progress, plus a royalty on net sales and/or a percentage of sublicense income. Our aggregate future milestone payments under the above in-licensing agreements are $6,850,000 assuming the achievement of all development milestones under the agreements through commercialization of products, of which, $6,400,000 is due upon approval of the first Anti-PS Immunotherapeutics product. In addition, under one of the agreements, we are required to pay future milestone payments upon the completion of Phase II clinical trial enrollment in the amount of 75,000 pounds sterling, the amount of which will continue as an annual license fee thereafter, plus a royalty on net sales of any products that we market that utilize the underlying technology. In the event we utilize an outside contract manufacturer other than Lonza to manufacture bavituximab for commercial purposes, we would owe Lonza 300,000 pounds sterling per year in addition to an increased royalty on net sales. We do not anticipate making any milestone payments under these agreements for at least the next fiscal year.

During fiscal years 2008 and 2006, we expensed $50,000 and $450,000, respectively upon the completion of clinical milestones in accordance with in-licensing agreements covering our Anti-PS Immunotherapeutics technology platform, which is included in research and development expense in the accompanying consolidated financial statements. We did not incur any milestone related expenses during fiscal year 2007.

Other Licenses Covering Products in Pre-Clinical Development

During August 2001, we entered into an exclusive worldwide license for a new pre-clinical compound from the University of Texas Southwestern Medical Center. This new compound, named 2C3, added to our anti-cancer platform technologies in the anti-angiogenesis field. Under this license agreement, we paid an up-front license fee and are obligated to pay annual maintenance fees, future milestone payments based on development progress, plus a royalty on net sales. Our aggregate future milestone payments under this exclusive worldwide license are $450,000 assuming the achievement of all development milestones under the agreement through commercialization of the product. We do not anticipate making any milestone payments under this agreement for at least the next fiscal year.

In April 1997, we gained access to certain exclusive licenses for Vascular Targeting Agents ("VTAs") technologies from various institutions. In conjunction with various licensing agreements covering our VTA technology, we are required to pay combined annual fees of $50,000 plus milestone payments based on the development success of the technologies and a royalty on net sales. Our aggregate future milestone payments under these exclusive licenses are $1,688,000 assuming the achievement of all development milestones under the agreements through commercialization of the product, which are due at various stages of clinical development in accordance with the applicable license. We do not anticipate making any milestone payments for at least the next fiscal year under these agreements.

During February 2000, we 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 classified under our 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. Our aggregate future milestone payments under our PEP and VEA exclusive worldwide licensing agreements are $115,000 assuming the achievement of all development milestones under the agreement through commercialization of the product. We do not anticipate making any milestone payments for at least the next fiscal year under this agreement.

During fiscal year 2007, we entered into a research collaboration agreement and a development and commercialization agreement with an unrelated entity regarding the generation and commercialization of up to fifteen fully human monoclonal antibodies under our platform technologies to be used as possible future clinical candidates. These agreements incorporate the various binding term sheets we entered into with the unrelated entity during June 2003, September 2004, and November 2004. Under the terms of the research collaboration agreement, we pay a non-refundable upfront technology access fee for each human antibody project initiated. In addition, under the terms of the development and commercialization agreement, we are obligated to pay future milestones payments based on the achievement of development milestones, plus a royalty on net sales. Our aggregate future milestone payments range from $5.75 million to $6.35 million per fully human antibody generated by the unrelated entity upon the achievement of certain development milestones through commercialization. During fiscal year 2006, we expensed $185,000 in non-refundable upfront technology access fees under the research collaboration agreement upon the initiation to generate one fully human monoclonal antibody, the amount of which is included in research and development expense in the accompanying consolidated financial statements. We did not incur any non-refundable upfront technology access fees during fiscal years 2008 and 2007.

During December 2003, we entered into a research collaboration agreement with an unrelated entity regarding the humanization of one of our Anti-PS Immunotherapeutic antibodies to be used as a possible future generation clinical candidate. Under the terms of the research collaboration agreement, we pay a non-refundable up-front license fee, antibody development milestone fees, clinical development milestone fees and a royalty on net sales. Our minimum aggregate future milestone payments under this agreement are $3,250,000 assuming the achievement of all development milestones under the agreement through commercialization of the product. We do not anticipate making any milestone payments for at least the next fiscal year under this agreement.

During July 2004, we announced that we entered into a worldwide exclusive licensing agreement for intellectual property related to Phosphatidylserine conjugates and Anti-PS antibodies from The University of Texas M. D. Anderson Cancer Center related to generating an immune response for the treatment of cancer and other indications. Under the terms of the agreement, we paid a non-refundable up-front license fee and are obligated to pay future milestone fees based on the clinical progress of products that fall under the licensed intellectual property and a royalty on net sales as defined in the agreement. Our aggregate future milestone payments under this licensing agreement are $1,700,000 assuming the achievement of all development milestones under the agreement through commercialization of the product. We do not anticipate making any milestone payments for at least the next fiscal year under this agreement.

During March 2007, we entered into a worldwide exclusive licensing agreement for intellectual property related to the use of beta-2-glycoprotein I as an anti-angiogenesis agent from The University of Texas M.D. Anderson Cancer Center. Under the terms of the agreement, we paid The University of Texas M.D. Anderson Cancer Center a non-refundable up-front fee of $150,000, which is included in research and development expense in fiscal year 2007 in the accompanying consolidated financial statements. In addition, under the terms of the agreement, we are obligated to pay annual maintenance fees, clinical development milestone fees and a royalty on net sales. Our aggregate future clinical development milestone payments under this licensing agreement are $1,425,000 assuming the achievement of all development milestones under the agreement through commercialization of the product. We do not anticipate making any milestone payments for at least the next fiscal year under this agreement.

During June 2007, we entered into an exclusive license agreement with The Regents of the University of California regarding the use of certain Anti-PS antibodies to be used as a possible future generation clinical candidate. Under the terms of the agreement, we paid a non-refundable up-front license fee of $25,000, which is included in research and development expense in fiscal year 2008 in the accompanying consolidated financial statements. In addition, under the terms of the agreement, we are obligated to pay an annual maintenance fee, clinical development milestone fees and a royalty on net sales. Our aggregate future clinical development milestone payments under the license agreement are $735,000 assuming the achievement of all developmental milestones under the agreement through commercialization of the product. We do not anticipate making any milestone payments for at least the next fiscal year under this agreement.

Out-Licensing Collaborations

In addition to our in-licensing collaborations, the following represents a summary of our key out-licensing collaborations.

During September 1995, we entered into an agreement with Cancer Therapeutics, Inc., a California corporation, whereby we granted to Cancer Therapeutics Laboratories, Inc. ("CTL") the exclusive right to sublicense TNT to a major pharmaceutical company solely in the People's Republic of China. We are entitled to receive 50% of the distributed profits received by Cancer Therapeutics, Inc. from the Chinese pharmaceutical company. Cancer Therapeutics, Inc. has the right to 20% of the distributed profits under the agreement with the Chinese pharmaceutical company. During March 2001, we extended the exclusive licensing period granted to Cancer Therapeutics, which now expires on December 31, 2016. In exchange for this extension, Cancer Therapeutics, Inc. agreed to pay us ten percent (10%) of all other consideration received by Cancer Therapeutics, Inc. from the Chinese pharmaceutical company, excluding research funding. During January 2007, we filed a lawsuit alleging breach of contract against CTL alleging various breaches of contract under the agreement. The lawsuit is currently in the discovery phase as further discussed in Part I, Item 3 under "Legal Proceedings" of this Annual Report. Through fiscal year ended April 30, 2008, we have not received any amounts under the agreement.

During October 2000, we entered into a licensing agreement with Merck KGaA to out-license a segment of our TNT technology for use in the application of cytokine fusion proteins. During January 2003, we entered into an amendment to the license agreement, whereby we received an extension to the royalty period from six years to ten years from the date of the first commercial sale. Under the terms of agreement, we would receive a royalty on net sales if a product is approved under the agreement. Merck KGaA has not disclosed the development status of its program to Peregrine.

During February 2007, we entered into an amended and restated license agreement with SuperGen, Inc. ("SuperGen") revising the original licensing deal completed with SuperGen in February 2001 to license a segment of our VTA technology, specifically related to certain conjugates Vascular Endothelial Growth Factor ("VEGF"). Under the terms of the amended and restated license agreement, we will receive annual license fees of up to $200,000 per year payable in cash or SuperGen common stock until SuperGen files an Investigational New Drug Application in the United States utilizing the VEGF conjugate technology. In addition, we could receive up to $8.25 million in future payments based on the achievement of all clinical and regulatory milestones combined with a royalty on net sales, as defined in the agreement, as amended. We could also receive additional consideration for each clinical candidate that enters a Phase III clinical trial by SuperGen. As of April 30, 2008, SuperGen has not filed an Investigational New Drug Application in the United States utilizing the VEGF conjugate technology.

During December 2002, we granted the exclusive rights for the development of diagnostic and imaging agents in the field of oncology to Schering A.G. under our VTA technology. Under the terms of the agreement, we received an up-front payment of $300,000, which we amortized as license revenue over an estimated period of 48 months through December 2006 in accordance with SAB No. 104 in the accompanying consolidated financial statements. Under this license agreement, the obligation period was not contractually defined and we exercised judgment in estimating the period of time over which certain deliverables will be provided to enable the licensee to practice the license. The estimated period of 48 months was primarily determined based on the historical experience with Schering A.G. under a separate license agreement. In addition, under the terms of the agreement, we could receive up to $1.2 million in future payments for each product based on the achievement of all clinical and regulatory milestones combined with a royalty on net sales, as defined in the agreement. Under the same agreement, we granted Schering A.G. an option to obtain certain non-exclusive rights to the VTA technology with predetermined up-front fees and milestone payments as defined in the agreement. Schering A.G. has not publicly disclosed the development status of its program.

During August 2005, we licensed certain intellectual property rights under our VTA technology to Medarex, Inc., which allowed Medarex, Inc. to develop and commercialize certain monoclonal antibody conjugates for the treatment of a wide range of solid tumors. During September 2007, the agreement was terminated by Medarex, Inc.

8. STOCKHOLDERS' EQUITY

Adoption of a Stockholder Rights Agreement

On March 16, 2006, our Board of Directors adopted a Stockholder Rights Agreement ("Rights Agreement") that is designed to strengthen the ability of the Board of Directors to protect the interests of our stockholders against potential abusive or coercive takeover tactics and to enable all stockholders the full and fair value of their investment in the event that an unsolicited attempt is made to acquire Peregrine. The adoption of the Rights Agreement is not intended to prevent an offer the Board of Directors concludes is in the best interest of Peregrine and its stockholders.

Under the Rights Agreement, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each share of our common stock held by shareholders of record as of the close of business on March 27, 2006. Each Right will entitle holders of each share of our common stock to buy one thousandth (1/1,000th) of a share of Peregrine's Series D Participating Preferred Stock, par value $0.001 per share, at an exercise price of $11.00 per share, subject to adjustment. The Rights are neither exercisable nor traded separately from our common stock. The Rights will become exercisable and will detach from the common shares if a person or group acquires 15% or more of our outstanding common stock, without prior approval from our Board of Directors, or announces a tender or exchange offer that would result in that person or group owning 15% or more of our common stock. Each Right, when exercised, entitles the holder (other than the acquiring person or group) to receive common stock of the Company (or in certain circumstances, voting securities of the acquiring person or group) with a value of twice the Rights exercise price upon payment of the exercise price of the Rights.

Peregrine will be entitled to redeem the Rights at $0.001 per Right at any time prior to a person or group achieving the 15% threshold. The Rights will expire on March 16, 2016.

Increased Authorized Shares Of Common Stock

On October 22, 2007, the stockholders of the Company approved an increase in the number of authorized shares of common stock from 250,000,000 to 325,000,000. In November 2007, we filed an amendment to our Certificate of Incorporation with the Secretary of State of Delaware which effected the foregoing increase.

Financing Under Shelf Registration Statements On Form S-3

During January 2007, we filed a registration statement on Form S-3, File Number 333-139975 ("January 2007 Shelf") which was declared effective by the Securities and Exchange Commission, allowing us to issue, from time to time, in one or more offerings, shares of common stock for proceeds up to $30,000,000.

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 under the January 2007 Shelf. We received net proceeds of $20,859,000 after deducting placement agent fees and estimated costs associated with the offering. As of April 30, 2008, we could raise up to an additional $7,500,000 in gross proceeds under the January 2007 Shelf registration statement.

During fiscal years 2007 and 2006, we entered into various financing transactions under the following shelf registration statements on Form S-3, which were declared effective by the Securities and Exchange Commission on various dates described in the table below, allowing us to issue, from time to time, in one or more offerings the following number of shares of our common stock to purchase shares of our common stock:

Registration Statement No.	Shelf Effective Date	Number of Shares of Common Stock Registered
333-109982	October 2003	12,000,000
333-121450	December 2004	12,000,000
333-128322	September 2005	12,000,000
333-132872	March 2006	15,000,000

The following tables summarize the financing transactions we entered into during fiscal years 2006 and 2007 under the above shelf registration statements:

Fiscal Year 2006

Description of Financing Transaction	Number of Common Stock Shares Issued	Net Issuance Value
Common stock purchase agreement dated January 31, 2005	1,582,217	$ 1,576,000
Common stock purchase agreement dated May 11, 2005	3,125,000	$ 2,989,000
Common stock purchase agreement dated June 22, 2005	8,000,000	$ 6,691,000
Common stock purchase agreement dated November 23, 2005	8,000,000	$ 6,719,000
Common stock purchase agreement dated April 5, 2006	4,000,000	$ 4,919,000
Common stock issued to unrelated entities for research services	695,820	$ 907,000
	25,403,037	$ 23,801,000

Fiscal Year 2007

Description of Financing Transaction	Number of Common Stock Shares Issued	Net Issuance Value
Common stock purchase agreement dated June 16, 2006	9,285,714	$ 12,970,000
Common stock issued to unrelated entities for research services	862,832	$ 931,000
	10,148,546	$ 13,901,000

As of April 30, 2008, an aggregate of 5,030,634 shares of common stock were available for issuance under shelf registration statements 333-121450 and 333-132872 noted above.

Shares Of Common Stock Authorized And Reserved For Future Issuance

In accordance with our shares reserved for issuance under our Shelf registration statements, stock option plans and warrant agreements, we have reserved 20,921,509 shares of our common stock at April 30, 2008 for future issuance, calculated as follows:

	Number of shares reserved
Shares reserved under two effective shelf registration statements	5,030,634
Options issued and outstanding	14,689,064
Options available for future grant	1,201,811
Total shares reserved	20,921,509

9. WARRANTS

As of April 30, 2008, we had no warrants to purchase common stock issued and outstanding. In addition, there were no warrants to purchase common stock granted during fiscal years 2008, 2007 and 2006.

During fiscal year 2008, warrants to purchase 53,416 shares of our common stock were exercised for net proceeds of $46,000. During fiscal year 2007, warrants to purchase 6,266,788 shares of our common stock were exercised for net proceeds of $4,836,000. During fiscal year 2006, warrants to purchase 812,512 shares of our common stock were exercised for net proceeds of $611,000.

During fiscal years 2008, 2007 and 2006, warrants to purchase 369,449, 275,000 and 5,764,631 shares of common stock, respectively, expired unexercised.

10. SEGMENT REPORTING

Our business is organized into two reportable operating segments. Peregrine is engaged in the research and development of monoclonal antibody products for the treatment of cancer and 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 segments based on net revenues, gross profit or loss (exclusive of research and development expenses, selling, general and administrative expenses, and interest and other income/expense) and long-lived assets. Our segment net revenues shown below are derived from transactions with external customers. Our segment gross profit represents net revenues less cost of sales. Our long-lived assets consist of leasehold improvements, laboratory equipment, and furniture, fixtures and computer equipment and are net of accumulated depreciation.

Segment information is summarized as follows:

	2008	2007	2006
Net Revenues:			
Contract manufacturing and development of biologics	$ 5,897,000	$ 3,492,000	$ 3,005,000
Products in research and development	196,000	216,000	188,000
Total revenues, net	$ 6,093,000	$ 3,708,000	$ 3,193,000
Gross Profit (Loss):			
Contract manufacturing and development of biologics	$ 1,093,000	$ 196,000	$ (292,000)
Products in research and development	196,000	216,000	188,000
Total gross profit (loss)	$ 1,289,000	$ 412,000	$ (104,000)
Research and development expense	(18,279,000)	(15,876,000)	(12,415,000)
Selling, general and administrative expense	(7,150,000)	(6,446,000)	(6,564,000)
Other income, net	964,000	1,114,000	2,022,000
Net loss	$ (23,176,000)	$ (20,796,000)	$ (17,061,000)

Net revenues generated from Avid were primarily from the following customers:

	2008	2007	2006
Customer revenues as a % of net revenues:			
United States (customer A)	84%	11%	73%
Germany (one customer)	7%	51%	10%
Australia (one customer)	2%	14%	5%
China (one customer)	0%	10%	0%
Other customers	7%	14%	12%
Total customer revenues as a % of net revenues	100%	100%	100%

Net revenues generated from Peregrine during fiscal years 2008, 2007 and 2006 were primarily from annual license fees received under the license agreement with SuperGen, Inc. (Note 7) combined with the amortized portion of up-front license fees received under two separate license agreements.

Long-lived assets consist of the following:

	2008	2007
Long-lived Assets, net:		
Contract manufacturing and development of biologics	$ 1,825,000	$ 1,527,000
Products in research and development	233,000	313,000
Total long-lived assets, net	$ 2,058,000	$ 1,840,000

11. INCOME TAXES

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109,* which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN No. 48, tax positions are recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained upon examination by the tax authorities. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

We adopted the provisions of FIN No. 48 on May 1, 2007. There were no unrecognized tax benefits as of the date of adoption and as a result of the implementation of FIN No. 48, we did not recognize an increase in the liability for unrecognized tax benefits. In addition, there are no unrecognized tax benefits included in our consolidated balance sheet that would, if recognized, affect our effective tax rate.

It is our policy to recognize interest and penalties related to income tax matters in interest and other expense in our consolidated statement of operations. We did not recognize interest or penalties related to income taxes for the fiscal year ended April 30, 2008, and we did not accrue for interest or penalties as of April 30, 2008.

We are primarily subject to U.S. federal and California state jurisdictions. To our knowledge, all tax years remain open to examination by U.S. federal and state authorities.

The adoption of FIN No. 48 did not impact our financial condition, results of operations, or cash flows. At April 30, 2008, we had total deferred tax assets of $3,922,000. Due to uncertainties surrounding our ability to generate future taxable income to realize these tax assets, a full valuation has been established to offset our total deferred tax assets. Additionally, the future utilization of our net operating loss and general business and research and development credit carry forwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code Sections 382 and 383, as a result of ownership changes that may have occurred previously or that could occur in the future. We have not yet performed a Section 382 analysis to determine the limitation of the net operating loss and general business and research and development credit carry forwards. Until this analysis has been performed, we have removed the deferred tax assets for net operating losses of $64,107,000 and general business and research and development credits of $118,000 generated through April 30, 2008 from our deferred tax asset schedule and have recorded a corresponding decrease to our valuation allowance. When this analysis is finalized, we plan to update our unrecognized benefits under FIN No. 48. Due to the existence of the valuation allowance, future changes in our unrecognized tax benefits will not impact our effective tax rate.

At April 30, 2008, we had federal net operating loss carry forwards and tax credit carry forwards of approximately $169,948,000 and $118,000, respectively. The net operating loss carry forwards expire in fiscal years 2009 through 2026. The net operating losses of $2,986,000 applicable to Vascular Targeting Technologies, our wholly-owned subsidiary, can only be offset against future income of that subsidiary. The tax credit carry forwards begin to expire in fiscal year 2009 and are available to offset the future taxes of our subsidiary. We also have state net operating loss carry forwards of approximately $101,589,000 at April 30, 2008, which begin to expire in fiscal year 2009.

The provision for income taxes consists of the following for the three years ended April 30, 2008:

	2008	2007	2006
Provision for federal income taxes at statutory rate	$ (7,880,000)	$ (7,071,000)	$ (5,801,000)
State income taxes, net of federal benefit	(1,309,000)	(1,202,000)	(995,000)
Expiration and adjustment of loss carry forwards	64,484,000	73,000	719,000
Change in valuation allowance	(55,510,000)	8,132,000	6,048,000
Increase of effective tax rate for net state deferred tax asset	-	-	-
Other, net	215,000	68,000	29,000
Income tax (expense) benefit	$ -	$ -	$ -

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 our deferred tax assets at April 30, 2008 and 2007 are as follows:

	2008	2007
Net operating loss carry forwards	$ -	$ 55,756,000
Stock-based compensation	1,891,000	2,067,000
General business and research and development credits	-	118,000
Deferred revenue	875,000	424,000
Accrued liabilities	1,156,000	1,067,000
Total deferred tax assets	3,922,000	59,432,000
Less valuation allowance	(3,922,000)	(59,432,000)
Net deferred tax assets	$ -	$ -

12. BENEFIT PLAN

During fiscal year 1997, we adopted a 401(k) benefit plan (the "Plan") for all regular employees who are at least the age of 21 and have three or more months of continuous service. The Plan provides for employee contributions of up to 100% of their compensation or a maximum of $15,500. We made no matching contributions to the Plan since its inception.

13. SUBSEQUENT EVENTS

On June 30, 2008, we were awarded a five-year contract 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 $5 million appropriated immediately for the current federal fiscal year ending September 30, 2008. 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.

14. 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, 2008	January 31, 2008	October 31, 2007	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006
Net revenues	$ 901,000	$ 1,675,000	$ 1,892,000	$ 1,625,000	$ 2,240,000	$ 363,000	$ 684,000	$ 421,000
Cost of sales	$ 932,000(a)	$ 1,289,000	$ 1,402,000	$ 1,181,000	$ 2,049,000	$ 223,000	$ 494,000	$ 530,000(b)
Gross profit (loss)	$ (31,000)	$ 386,000	$ 490,000	$ 444,000	$ 191,000	$ 140,000	$ 190,000	$ (109,000)
Operating expenses	$ 6,266,000	$ 6,788,000	$ 7,043,000	$ 5,332,000	$ 5,630,000	$ 5,420,000	$ 5,590,000	$ 5,682,000
Net loss	$ (6,159,000)	$ (6,154,000)	$ (6,207,000)	$ (4,656,000)	$ (5,244,000)	$ (5,025,000)	$ (5,070,000)	$ (5,457,000)
Basic and diluted loss per common share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.03)

(a) Cost of sales for the quarter ended April 30, 2008 includes the write-off of unusable work-in-process inventory associated with two customers, which in the aggregate totaled $381,000.

(b) Cost of sales for the quarter ended July 31, 2006 includes the write-off of unusable work-in-process inventory combined with an estimated contract loss provision associated with one customer, which in the aggregate totaled $208,000.

PEREGRINE PHARMACEUTICALS, INC. SCHEDULE II

VALUATION OF QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2008

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, 2006	$ 1,581,000	$ -	$ (1,581,000)	$ -
Valuation reserve for note and other receivables for the year ended April 30, 2007	$ -	$ -	$ -	$ -
Valuation reserve for note and other receivables for the year ended April 30, 2008	$ -	$ -	$ -	$ -

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.).

On August 28, 2006, the Company established a wholly owned subsidiary, Peregrine (Beijing) Pharmaceutical Technology Ltd. in the Haidian District, Beijing, Peoples Republic of China.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-130271, 333-121334, 333-106385, 333-57046, and 333-17513; Form S-3 Nos. 333-139975, 333-132872, 333-128322, 333-121450, 333-109982, 333-103965, 333-99157, 333-71086, and 333-40716) of Peregrine Pharmaceuticals, Inc. of our reports dated July 10, 2008, with respect to the consolidated financial statements and schedule of Peregrine Pharmaceuticals, Inc., and the effectiveness of internal control over financial reporting of Peregrine Pharmaceuticals, Inc., included in the Annual Report (Form 10-K) for the year ended April 30, 2008.

/s/ Ernst & Young LLP

Orange County, California
July 10, 2008

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 annual report on Form 10-K 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 period 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: July 11, 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 annual report on Form 10-K 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 period 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: July 11, 2008

Signed: /s/ PAUL J. LYTLE
Paul J. Lytle
Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS 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

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 Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K for the year ended April 30, 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 Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K 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: July 11, 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 Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K for the year ended April 30, 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 Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K 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: July 11, 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.