UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2005

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-17085

PEREGRINE PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**95-3698422**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
14272 Franklin Avenue, Suite 100, Tustin, California	**92780-7017**
(Address of principal executive offices)	*(Zip Code)*

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes |X| No |_|.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Number of Shares Outstanding**
Common Stock, $0.001 par value	151,241,575 shares of common stock as of March 4, 2005

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	JANUARY 31, 2005	APRIL 30, 2004
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,439,000	$ 14,884,000
Trade and other receivables, net of allowance for doubtful accounts of $68,000 (January) and $64,000 (April)	514,000	1,520,000
Inventories	1,545,000	1,240,000
Prepaid expenses and other current assets	777,000	240,000
Total current assets	13,275,000	17,884,000
PROPERTY:		
Leasehold improvements	494,000	389,000
Laboratory equipment	2,530,000	2,211,000
Furniture, fixtures and computer equipment	640,000	646,000
	3,664,000	3,246,000
Less accumulated depreciation and amortization	(2,442,000)	(2,373,000)
Property, net	1,222,000	873,000
OTHER ASSETS:		
Note receivable, net of allowance of $1,530,000 (January) and $1,581,000 (April)	-	-
Other	830,000	380,000
Total other assets	830,000	380,000
TOTAL ASSETS	$ 15,327,000	$ 19,137,000

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	JANUARY 31, 2005	APRIL 30, 2004
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,372,000	$ 1,331,000
Accrued legal and accounting fees	502,000	407,000
Accrued royalties and license fees	161,000	149,000
Accrued payroll and related costs	566,000	503,000
Notes payable, current portion	230,000	-
Other current liabilities	539,000	339,000
Deferred revenue	1,028,000	1,524,000
Total current liabilities	4,398,000	4,253,000
NOTES PAYABLE	494,000	-
DEFERRED LICENSE REVENUE	69,000	125,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock-$.001 par value; authorized 200,000,000 shares; outstanding - 149,431,262 (January); 141,268,182 (April)	149,000	141,000
Additional paid-in capital	175,621,000	168,969,000
Deferred stock compensation	(258,000)	-
Accumulated deficit	(165,146,000)	(154,351,000)
Total stockholders' equity	10,366,000	14,759,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15,327,000	$ 19,137,000

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	January 31, 2005	**January 31, 2004**	**January 31, 2005**	**January 31, 2004**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
REVENUES:				
Contract manufacturing revenue	$ 1,334,000	$ 211,000	$ 3,983,000	$ 1,403,000
License revenue	19,000	18,000	57,000	56,000
Total revenues	1,353,000	229,000	4,040,000	1,459,000
COST AND EXPENSES:				
Cost of contract manufacturing	1,273,000	223,000	3,265,000	1,207,000
Research and development	2,548,000	2,723,000	8,122,000	6,570,000
Selling, general and administrative	1,338,000	1,096,000	3,642,000	3,224,000
Total cost and expenses	5,159,000	4,042,000	15,029,000	11,001,000
LOSS FROM OPERATIONS	(3,806,000)	(3,813,000)	(10,989,000)	(9,542,000)
OTHER INCOME (EXPENSE):				
Interest and other income	65,000	70,000	197,000	219,000
Interest and other expense	(3,000)	(394,000)	(3,000)	(1,840,000)
NET LOSS	$ (3,744,000)	$ (4,137,000)	$ (10,795,000)	$ (11,163,000)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and Diluted	145,175,059	137,835,689	142,677,820	132,147,463
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.03)	$ (0.03)	$ (0.08)	$ (0.08)

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED JANUARY 31, 2005	2004
	Unaudited	*Unaudited*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,795,000)	$ (11,163,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	235,000	277,000
Stock-based compensation	134,000	262,000
Amortization of discount on convertible debt and debt issuance costs	-	1,811,000
Stock issued for services under research collaboration agreements	336,000	164,000
Changes in operating assets and liabilities:		
Trade and other receivables	1,006,000	(1,198,000)
Short-term investment	-	242,000
Inventories	(305,000)	(812,000)
Prepaid expenses and other current assets	30,000	(4,000)
Accounts payable	41,000	541,000
Deferred revenue	(552,000)	1,103,000
Accrued payroll and related costs	63,000	84,000
Other accrued expenses and current liabilities	307,000	(173,000)
Net cash used in operating activities	(9,500,000)	(8,866,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(584,000)	(369,000)
Increase in other assets	(450,000)	(100,000)
Net cash used in investing activities	(1,034,000)	(469,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	733,000	-
Principal payments on notes payable	(9,000)	-
Proceeds from issuance of common stock, net of issuance costs of $48,000 (January 2005) and $427,000 (January 2004)	5,365,000	21,938,000
Net cash provided by financing activities	6,089,000	21,938,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,445,000)	12,603,000
CASH AND CASH EQUIVALENTS, beginning of period	14,884,000	3,137,000
CASH AND CASH EQUIVALENTS, end of period	$ 10,439,000	$ 15,740,000
NON-CASH FINANCING ACTIVITIES:		
Conversion of Convertible Debt into common stock	$ -	$ 2,395,000
Common stock issued under research collaborations	$ 903,000	$ 648,000

See accompanying notes to condensed consolidated financial statements

1. BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements include the accounts of Peregrine Pharmaceuticals, Inc. ("Peregrine"), a biopharmaceutical company with a broad portfolio of products under development, and its wholly-owned subsidiary, Avid Bioservices, Inc. ("Avid"), which performs contract manufacturing of biologics and related services (collectively, the "Company"). All intercompany balances and transactions have been eliminated.

In addition, the accompanying interim condensed consolidated financial statements are unaudited; however they contain all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the condensed consolidated financial position of the Company at January 31, 2005, and the condensed consolidated results of our operations and our condensed consolidated cash flows for the three and nine month periods ended January 31, 2005 and 2004. We prepared the condensed consolidated financial statements following the requirements of the Securities and Exchange Commission (or SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (or GAAP) can be condensed or omitted. Although we believe that the disclosures in the financial statements are adequate to make the information presented herein not misleading, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended April 30, 2004. Results of operations for interim periods covered by this quarterly report on Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year.

As of January 31, 2005, we had $10,439,000 in cash and cash equivalents on hand. We have expended substantial funds on the development of our product candidates and we have incurred negative cash flows from operations for the majority of our years since inception. Since inception, we have generally financed our operations primarily through the sale of our common stock and issuance of convertible debt, which has been supplemented with payments received from various licensing collaborations and through the revenues generated by Avid. We expect negative cash flows from operations to continue until we are able to generate sufficient revenue from the contract manufacturing services provided by Avid and/or from the sale and/or licensing of our products under development.

Revenues earned by Avid during the nine months ended January 31, 2005 and 2004 amounted to $3,983,000 and $1,403,000, respectively. We expect that Avid will continue to generate revenues which should lower consolidated cash flows used in operations, although we expect those near term revenues will be insufficient to fully cover anticipated cash flows used in operations. In addition, revenues from the sale and/or licensing of our products under development are always uncertain. Therefore, we expect we will continue to need to raise additional capital to continue the development of our product candidates, including the anticipated development and clinical trial costs of Tarvacin™ and Cotara®, the anticipated research and development costs associated with Anti-Phospholipid Therapy ("APT"), Vasopermeation Enhancement Agents ("VEA's") and Vascular Targeting Agents ("VTA's"), and the potential expansion of our manufacturing capabilities.

We plan to raise additional capital primarily through the registered offer and sale of shares of our common stock from our current shelf registration statements on Form S-3, File No. 333-109982 and File No. 333-121450, which as of March 4, 2005, we had an aggregate of approximately 15,003,000 shares available for possible future registered transactions. However, given uncertain market conditions and the volatility of our stock price and trading volume, we may not be able to sell our securities at prices or on terms that are favorable to us, if at all. We believe we have sufficient cash on hand to meet our obligations on a timely basis through the second quarter of our fiscal year ending April 30, 2006.

In addition to equity financing, we are actively exploring various other sources of funding, including possible debt financing and leveraging our many assets, including our intellectual property portfolio and the operations of Avid. Our broad intellectual property portfolio allows us to develop products internally while at the same time we are able to out-license certain areas of the technology which would not interfere with our internal product development efforts. We also have the facilities of Avid that we may leverage in a strategic transaction if the right opportunity and financial terms are presented to us, provided that the manufacturing needs of our customers and Peregrine are not jeopardized.

There can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all (from either debt, equity or the licensing, partnering or sale of technology assets and/or the sale of all or a portion of Avid), or that sufficient additional revenues will be generated from Avid or under potential licensing agreements to complete the research, development, and clinical testing of our product candidates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Receivables – We continually monitor our allowance 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 factors that appear reasonable under the circumstances.

Prepaid Expenses – Our prepaid expenses primarily represent pre-payments made to secure the receipt of services at a future date. During November 2004, we entered into an Antibody Development Collaboration arrangement with an unrelated entity whereby we prepaid services in the amount of $660,000 for the generation of three targeting antibodies under our platform technologies. The $660,000 is included in prepaid expenses and other current assets in the accompanying condensed consolidated financial statements at January 31, 2005 and will be expensed once the services have been provided under the terms of the arrangement.

Inventories – Inventories are stated at the lower of cost or market and primarily include raw materials, direct labor and overhead costs associated with our wholly-owned subsidiary, Avid. Inventories consist of the following at January 31, 2005 and April 30, 2004:

	January 31, 2005	April 30, 2004
Raw materials	$ 540,000	$ 411,000
Work-in-process	1,005,000	829,000
Total Inventories	$ 1,545,000	$ 1,240,000

Concentrations of Credit Risk – The majority of trade and other receivables are from customers in the United States and Israel. Most contracts require up-front payments and installment payments as the project progresses. We perform periodic evaluations of our ongoing customers and generally do not require collateral, although we can terminate any contract if a material default occurs. Reserves are maintained for potential credit losses, and such losses have been minimal and within our estimates.

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

Deferred Revenue – Deferred revenue primarily consists of up-front contract fees and installment payments received prior to the recognition of revenues under contract manufacturing and development agreements and up-front license fees received under technology license 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 Staff Accounting Bulletin No. 101 ("SAB No. 101"), *Revenue Recognition in Financial Statements* and Staff Accounting Bulletin No. 104 ("SAB No. 104"), *Revenue Recognition*. These bulletins draw on existing accounting rules and provide specific guidance on how those accounting rules should be applied. 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.

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 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.

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 recorded 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 recorded the cost of the amounts billed as cost of sales as we act as a principal in these transactions.

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 technologies under development, (iii) the costs to manufacture our product candidates, including raw materials and supplies, (iv) technology access and maintenance fees, including amounts incurred under licensing agreements and intellectual property access fees (v) expenses for research and services rendered under outside contracts, including sponsored research funding, and (vi) facility and other research and development expenses.

Reclassification – Certain amounts in fiscal year 2004 condensed consolidated financial statements have been reclassified to conform to the current year presentation.

Basic and Dilutive Net Loss Per Common Share – Basic and dilutive net loss per common share is 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, warrants, and convertible instruments. 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, warrants, and convertible debt outstanding during the period. Potentially dilutive common shares consist of stock options and warrants calculated in accordance with the treasury stock method, but are excluded if their effect is antidilutive. The potential dilutive effect of convertible debt was calculated using the if-converted method, assuming the conversion of the convertible debt as of the earliest period reported or at the date of issuance, if later. Because the impact of options, warrants, and other convertible instruments are antidilutive during periods of net loss, there was no difference between basic and diluted loss per share amounts for the three and nine months ended January 31, 2005 and January 31, 2004. The dilutive effect of the following shares issuable upon the exercise of options, warrants, and convertible debt outstanding during the period were excluded from dilutive net loss per common share because their effect was antidilutive since we reported a net loss in the periods presented:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	January 31, 2005	**January 31, 2004**	**January 31, 2005**	**January 31, 2004**
Common stock equivalent shares assuming issuance of shares represented by outstanding stock options and warrants utilizing the treasury stock method	5,466,924	13,055,032	7,074,278	11,339,824
Common stock equivalent shares assuming issuance of shares upon conversion of convertible debt utilizing the if-converted method	-	337,596	-	746,658
Total	5,466,924	13,392,628	7,074,278	12,086,482

Weighted average outstanding options and warrants to purchase up to 13,788,339 and 11,869,284 shares of common stock for the three and nine months ended January 31, 2005, respectively, were also excluded from the calculation of diluted earnings per common share because their exercise prices were greater than the average market price during the periods.

Weighted average outstanding options and warrants to purchase up to 5,657,044 and 7,959,998 shares of common stock for the three and nine months ended January 31, 2004, respectively, were also excluded from the calculation of diluted earnings per common share because their exercise prices were greater than the average market price during the period.

From February 1, 2005 through March 4, 2005, the Company issued 310,313 shares of common stock upon the exercise of stock options and issued an additional 1,500,000 shares of common stock under the January 31, 2005 Financing (Note 7), which numbers have been excluded from basic and dilutive net loss per common share for the three and nine month periods ended January 31, 2005.

Stock-Based Compensation – In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 148 ("SFAS No. 148"), *Accounting for Stock-Based Compensation-Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123 ("SFAS No. 123"), *Accounting for Stock-Based Compensation*, and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation, and the effect of the method used on reported results.

We have not adopted a method under SFAS No. 148 to expense stock options but rather we continue to apply the provisions of SFAS No. 123; however, we have adopted the additional disclosure provisions of the statement. As SFAS No. 123 permits, we elected to continue accounting for our employee stock options in accordance with Accounting Principles Board Opinion No. 25 ("APB No. 25"), *Accounting for Stock Issued to Employees and Related Interpretations*. APB No. 25 requires compensation expense to be recognized for stock options when the market price of the underlying stock exceeds the exercise price of the stock option on the date of the grant.

We utilize the guidelines in APB No. 25 for measurement of stock-based transactions for employees and, accordingly, no compensation expense has been recognized for the options in the accompanying condensed consolidated financial statements for the three and nine month periods ended January 31, 2005 and January 31, 2004.

Had we used a fair value model for measurement of stock-based transactions for employees under SFAS No. 123 and amortized the expense over the vesting period, pro forma information would be as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	January 31, 2005	January 31, 2004	January 31, 2005	January 31, 2004
Net loss, as reported	$ (3,744,000)	$ (4,137,000)	$ (10,795,000)	$ (11,163,000)
Stock-based employee compensation cost that would have been included in the determination of net loss if the fair value based method had been applied to all awards	(630,000)	(996,000)	(2,232,000)	(1,450,000)
Pro forma net loss as if the fair value based method had been applied to all awards	$ (4,374,000)	$ (5,133,000)	$ (13,027,000)	$ (12,613,000)
Basic and diluted net loss per share, as reported	$ (0.03)	$ (0.03)	$ (0.08)	$ (0.08)
Basic and diluted net loss per share, pro forma	$ (0.03)	$ (0.04)	$ (0.09)	$ (0.10)

Stock-based compensation expense recorded during the three and nine months ended January 31, 2005 and January 31, 2004 primarily relates to stock option grants made to consultants or non-employees and has been measured utilizing the Black-Scholes option valuation model and is being amortized over the estimated period of service or related vesting period. Stock-based compensation expense recorded during the three and nine months ended January 31, 2005 amounted to $20,000 and $134,000, respectively. Stock-based compensation expense recorded during the three and nine months ended January 31, 2004 amounted to $109,000 and $229,000, respectively.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R (SFAS No. 123R"), *Share-Based Payment (Revised 2004)*, which requires companies to recognize in the income statement the fair value of all employee share-based payments, including grants of employee stock options as well as compensatory employee stock purchase plans, for interim periods beginning after June 15, 2005 and will become effective for the Company for the fiscal quarter that begins August 1, 2005. Accordingly, SFAS No. 123R eliminates the ability to account for share-based compensation using APB No. 25, and the pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Although we have not yet determined whether the adoption of SFAS No. 123R will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123 (as shown above), we are evaluating the requirements under SFAS No. 123R including the valuation methods and support for the assumptions that underlie the valuation of the awards, as well as the transition methods (modified prospective transition method or the modified retrospective transition method) and expect the adoption to have a significant impact on our consolidated statements of operations and net loss per share and minimal impact on our consolidated statement of financial position.

In addition, during August 2003, a member of our Board of Directors voluntarily cancelled an option to purchase shares of our common stock due to an insufficient number of stock options available in our stock option plans for new employee grants. During October 2003, we received stockholder approval for our 2003 Stock Incentive Plan ("2003 Plan") and the director was re-granted options to purchase shares under the 2003 Plan. In accordance with FASB Interpretation No. 44 ("FIN No. 44"), *Accounting for Certain Transactions Involving Stock Compensation*, the option granted to the

director under the 2003 Plan is subject to variable accounting, which could result in increases or decreases to compensation expense in subsequent periods based on movements in the intrinsic value of the option until the date the option is exercised, forfeited, or expires unexercised. Decreases in compensation expense are limited to the net expense previously reported. During the three and nine months ended January 31, 2005, we did not record compensation expense with respect to such option in accordance with FIN No. 44 since the market price of our stock was less than the exercise price of the option at the end of the respective periods. During the three and nine months ended January 31, 2004, we recorded compensation expense of $33,000 with respect to such option in accordance with FIN No. 44 since the market price of our stock was greater than the exercise price of the option at the end of the period.

Recent Accounting Pronouncement - In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 (“SFAS No. 151”), *Inventory Costs*. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, *Inventory Pricing*, to improve financial reporting by clarifying that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and by requiring the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The standard is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We would be required to implement this standard no later than May 1, 2006, unless earlier adopted. We are currently evaluating the impact of SFAS No. 151 on our financial position and results of operations.

3. NOTE RECEIVABLE

During December 1998, we completed the sale and subsequent leaseback of our two facilities and recorded an initial note receivable from the buyer of $1,925,000. The note receivable bears interest at 7.5% per annum and payments are due monthly based on a 20-year amortization period. The note receivable is due on the earlier to occur of (i) December 1, 2010 or (ii) upon the sale of the facility and the transfer of title. In addition, if we default under the lease agreement, including but not limited to, filing a petition for bankruptcy or failure to pay the basic rent, the note receivable shall be deemed to be immediately satisfied in full and the buyer shall have no further obligation to us for such note receivable, as defined in the note agreement. Although we have made all payments under the lease agreement and we have not filed for protection under the laws of bankruptcy, during the quarter ended October 31, 1999, we did not have sufficient cash on hand to meet our obligations on a timely basis and we were operating at significantly reduced levels. In addition, at that time, if we could not raise additional cash by December 31, 1999, we may have had to file for protection under the laws of bankruptcy. Due to the uncertainty of our ability to pay our lease obligations on a timely basis, we established a 100% reserve for the note receivable in the amount of $1,887,000 as of October 31, 1999. We reduce the reserve as payments are received and we record the reduction as interest and other income in the accompanying condensed consolidated statements of operations. Due to the uncertainty of our ability to fund our operations beyond fiscal year 2005, the carrying value of the note receivable approximates its fair value at January 31, 2005. We have received all payments to date under the note receivable.

The following represents a rollforward of the allowance of the note receivable for the nine months ended January 31, 2005:

Allowance balance, April 30, 2004	$	1,645,000
Principal payments received		(47,000)
Allowance balance, January 31, 2005	$	1,598,000

4. NOTES PAYABLE

During November 2004, we entered into a note agreement with General Electric Capital Corporation ("GE") in the amount of $350,000 collateralized by certain laboratory equipment. The note bears interest at a rate of 5.78% per annum with payments due monthly in the amount of approximately $11,000 over 36 months commencing January 1, 2005. Under the terms of the agreement, we paid to GE a security deposit of 25%, or approximately $88,000, which is due and payable to the Company at the end of the note term.

During December 2004, we entered into an additional note agreement with GE in the amount of $383,000 collateralized by certain laboratory equipment. The note bears interest at a rate of 5.85% per annum with payments due monthly in the amount of approximately $12,000 over 36 months commencing February 1, 2005. Under the terms of the agreement, we paid to GE a security deposit of 25%, or approximately $96,000, which is due and payable to the Company at the end of the note term.

As of January 31, 2005, we owed GE an aggregate amount of $724,000 under both note payable agreements. Minimum future principal payments on notes payable as of January 31, 2005 are as follows:

Year ending April 30:		
2005	$	56,000
2006		234,000
2007		248,000
2008		186,000
Total	$	724,000

5. CONVERTIBLE DEBT

On August 9, 2002, we entered into a private placement with four investors under a Debenture Securities Purchase Agreement, whereby we issued Convertible Debentures ("Convertible Debt") for gross proceeds of $3,750,000. The Convertible Debt was fully converted into 4,411,764 shares of common stock as of April 30, 2004.

In accordance with EITF 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, we initially recorded the convertible debt net of discount of (i) the relative fair value of 3,308,827 warrants issued in the amount of $1,321,000 and (ii) the intrinsic value of the embedded conversion feature in the amount of $1,143,000. The relative fair value of the warrants was determined in accordance with the Black-Scholes valuation model based on the warrant terms. The debt discount, along with the debt issuance costs, were amortized as non-cash interest expense on a straight-line basis over the term of the Convertible Debt, which approximates the effective interest method. Upon conversion of the Convertible Debt, the entire unamortized debt discount and debt issuance costs remaining at the date of conversion that was attributed to the converted Convertible Debt were immediately recognized as interest expense in the accompanying condensed consolidated statements of operations. During the three and nine months ended January 31, 2004, we recognized $367,000 and $1,635,000, respectively, in non-cash interest expense associated with the conversion of Convertible Debt, which amount was included in interest and other expense in the accompanying consolidated statements of operations. As of April 30, 2004, the debt discount was completely amortized.

In connection with the Convertible Debt, we incurred approximately $363,000 in debt issuance costs, including placement agent fees of $318,000, which are being amortized on a straight-line basis over the life of the Convertible Debt, which approximates the effective interest method. During the three and nine months ended January 31, 2004, we expensed $23,000 and $176,000, respectively, in debt issuance costs included in interest and other expense in the accompanying condensed consolidated statements of operations.

6. LICENSING, RESEARCH AND DEVELOPMENT AGREEMENTS

On July 6, 2004, we announced that we entered into a worldwide exclusive licensing agreement for intellectual property under our APT technology platform 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 the University of Texas M. D. Anderson Cancer Center a nonrefundable up-front 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. Products that may fall under this licensing agreement are currently in discovery and therefore, future milestone obligations under the agreement would be uncertain. Management does not anticipate making significant milestone payments, if any, under this licensing agreement for at least the next two years. During the nine months ended January 31, 2005, we expensed $150,000 under the agreement, which is included in research and development expense in the accompanying condensed consolidated financial statements.

7. STOCKHOLDERS' EQUITY

Financing Under Shelf Registration Statement on Form S-3, File Number 333-109982

On October 24, 2003, we filed a registration statement on Form S-3, File Number 333-109982, which was declared effective by the Securities and Exchange Commission, allowing us to issue, from time to time, in one or more offerings, up to 12,000,000 shares of our common stock ("October 2003 Shelf").

On March 31, 2004, we entered into a Common Stock Purchase Agreement with one institutional investor whereby we agreed to sell from time to time, at our option, up to an aggregate of 3,000,000 shares of our common stock, subject to certain volume limitations, at a price per share equal to a 15% discount to the average volume weighted average price of our common stock for the three trading days prior to the date of the put, under which per share prices can be adjusted upon mutual agreement ("March 31, 2004 Financing"). As of January 31, 2005, we sold and issued all 3,000,000 shares of our common stock under the March 31, 2004 Financing to the institutional investor in exchange for gross proceeds of $3,250,000, which prices per share were negotiated upon mutual agreement. We paid no commissions in connection with this offering.

During October 2004, we issued and sold 107,665 shares of our common stock to Aeres Biomedical Ltd. as payment for certain amounts due under a research collaboration agreement dated December 9, 2003 for the humanization of one of our APT antibodies to be used as a possible future generation clinical candidate. The value of the shares issued of $154,000 was included in research and development expenses in the accompanying condensed consolidated financial statements for the nine months ended January 31, 2005.

During October and December 2004, we issued and sold an aggregate of 118,570 shares of our common stock to Affitech AS ("Affitech") as payment for certain amounts due under an Antibody Research Collaboration dated September 23, 2004 for certain amounts due for development services pertaining to the generation of an antibody under our APT technology platform. The value of the shares issued of $150,000 was included in research and development expenses in the accompanying condensed consolidated financial statements for the nine months ended January 31, 2005.

During December 2004, we issued and sold 528,000 shares of our common stock to Affitech as payment for certain amounts due under an Antibody Development Collaboration dated November 4, 2004. The value of the shares issued of $599,000 is included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets at January 31, 2005.

On January 31, 2005, we entered into a Common Stock Purchase Agreement with one institutional investor whereby we agreed to sell from time to time, at our option, up to an aggregate of 5,000,000 shares of our common stock, subject to certain volume limitations, at a price per share based upon a discount to the average volume weighted average price of our common stock for the three trading days prior to the date of the put, which volume limitations and per share prices can be adjusted upon mutual agreement ("January 31, 2005 Financing"). During January 2005, we sold and issued 500,000 shares of our common stock under the January 31, 2005 Financing to the institutional investor in exchange for gross proceeds of $500,000, in which the price per share was negotiated upon mutual agreement. Subsequent to the quarter ended January 31, 2005, we sold and issued an additional 1,500,000 shares under the January 31, 2005 Financing to the institutional investor in exchange for gross proceeds of $1,550,000. We paid no commissions nor issued any warrants in connection with this offering. As of March 4, 2005, 3,000,000 shares of our common stock were available for issuance under the January 31, 2005 Financing.

As of March 4, 2005, approximately 3,003,000 shares of common stock were available for issuance under the October 2003 Shelf.

Financing Under Shelf Registration Statement on Form S-3, File Number 333-121450

On December 20, 2004, we filed a registration statement on Form S-3, File Number 333-121450, which was declared effective by the Securities and Exchange Commission, allowing us to issue, from time to time, in one or more offerings, up to 12,000,000 shares of our common stock ("December 2004 Shelf"). As of March 4, 2005, all 12,000,000 shares of common stock were available for issuance under the December 2004 Shelf.

8. STOCK OPTIONS AND WARRANTS

During the nine months ended January 31, 2005, options to purchase 1,489,055 shares of our common stock were exercised on various dates on a cash basis in exchange for net proceeds of $912,000. As of January 31, 2005, options to purchase up to 11,339,994 shares of our common stock were issued and outstanding and exercisable at prices ranging between $0.34 and $5.28 per share with an average exercise price of $1.58 per share and expire at various dates through January 31, 2015.

During the nine months ended January 31, 2005, warrants to purchase 2,495,414 shares of our common stock were exercised on a combined cash and cashless basis under various transactions for net proceeds of $747,000 and the issuance of 2,419,790 shares of our common stock. As of January 31, 2005, warrants to purchase up to 13,191,796 shares of our common stock were issued and outstanding and exercisable at prices ranging between $0.71 and $5.00 per share with an average exercise price of $1.82 per share and expire at various dates through March 25, 2008. In addition, of the total warrants outstanding at January 31, 2005, approximately 13,103,000 warrants will expire at various dates through January 31, 2007, if unexercised.

9. SEGMENT REPORTING

Our business is organized into two reportable operating segments. Peregrine is engaged in the research and development of technologies for cancer therapeutics and other diseases through a series of proprietary platform technologies using monoclonal antibodies. Avid is engaged in providing contract manufacturing of biologics and related services to biopharmaceutical and biotechnology businesses.

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 or loss represents net revenues less the 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 for three months ended January 31, 2005 and January 31, 2004 is summarized as follows:

	Three Months Ended January 31,	
	2005	**2004**
Net Revenues:		
Contract manufacturing and development of biologics	$ 1,334,000	$ 211,000
License revenue relating to cancer therapeutics	19,000	18,000
Total net revenues	$ 1,353,000	$ 229,000
Gross Profit (Loss):		
Contract manufacturing and development of biologics	$ 61,000	$ (12,000)
License revenue relating to cancer therapeutics	19,000	18,000
Total gross profit	80,000	6,000
Research and development expense	(2,548,000)	(2,723,000)
Selling, general and administrative expense	(1,338,000)	(1,096,000)
Net interest and other income (expense)	62,000	(324,000)
Net loss	$ (3,744,000)	$ (4,137,000)

Net revenues generated from Avid during the three months ended January 31, 2005 and January 31, 2004 were primarily from two customers located in the U.S and one customer headquartered in Israel as follows:

	Three Months Ended January 31,	
	2005	**2004**
Avid customer revenues as a % of net revenues:		
United States (customer A)	45%	18%
United States (customer B)	26%	14%
Israel (one customer)	29%	68%
Total Avid customers	100%	100%

Segment information for nine months ended January 31, 2005 and January 31, 2004 is summarized as follows:

	Nine Months Ended January 31,	
	2005	**2004**
Net Revenues:		
Contract manufacturing and development of biologics	$ 3,983,000	$ 1,403,000
Research and development of cancer therapeutics	57,000	56,000
Total net revenues	$ 4,040,000	$ 1,459,000
Gross Profit:		
Contract manufacturing and development of biologics	$ 718,000	$ 196,000
Research and development of cancer therapeutics	57,000	56,000
Total gross profit	775,000	252,000
Research and development expense	(8,122,000)	(6,570,000)
Selling, general and administrative expense	(3,642,000)	(3,224,000)
Net interest and other income (expense)	194,000	(1,621,000)
Net loss	$ (10,795,000)	$ (11,163,000)

Net revenues generated from Avid during the nine months ended January 31, 2005 and January 31, 2004 were primarily from two customers located in the U.S. and one customer headquartered in Israel as follows:

	Nine Months Ended January 31,	
	2005	**2004**
Avid customer revenues as a % of net revenues:		
United States (customer A)	45%	3%
United States (customer B)	17%	51%
Israel (one customer)	37%	38%
Other customers primarily in the U.S. and Germany	1%	8%
Total Avid customers	100%	100%

Net revenues generated from Peregrine during the three and nine months ended January 31, 2005 and January 31, 2004 were from the amortized portion of the up-front license fee under the December 2002 license agreement with Schering A.G.

Long-lived assets consist of the following at January 31, 2005 and April 30, 2004:

	January 31, 2005	**April 30, 2004**
Long-lived Assets, net:		
Contract manufacturing and development of biologics	$ 855,000	$ 633,000
Research and development of cancer therapeutics	367,000	240,000
Total long-lived assets, net	$ 1,222,000	$ 873,000

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

This Form 10-Q contains forward-looking statements based on our current expectations. In some cases, you can identify these statements by terminology such as "may", "should", "plans", "believe", "will", "anticipate", "estimate", "expect", or "intend", including their opposites or similar phrases or expressions. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company will be achieved. Actual results may differ materially from these forward looking statements.

To gain a better understanding of the risk factors that may tend to influence the accuracy of our forward looking statements, we recommend that you read the risk factors identified in the Company's Annual Report on Form 10-K for the year ended April 30, 2004. Although we believe that the risks described in the 10-K represent all material risks currently applicable to us, additional risks and uncertainties not presently known to us or that are currently not believed to be important to us may also affect our actual future results and could harm our business, financial condition, and results of operations.

Company Overview

Peregrine Pharmaceuticals, Inc., located in Tustin, California, is a biopharmaceutical company with a broad portfolio of products under development directed towards the treatment of cancer, viruses, and other diseases through a series of proprietary platform technologies. Our oncology programs entering the clinic or in pre-clinical development are focused on the areas of anti-angiogenesis and vascular targeting. These agents that affect blood vessels and blood flow in cancer may have application in other disease types including certain cardiovascular and ocular diseases. Our agents in development for oncology applications fall under several different proprietary platforms, including Anti-Phospholipid Therapy (APT), Vascular Targeting Agents (VTAs), Anti-Angiogenesis and Vasopermeation Enhancement Agents (VEAs). In addition to our oncology programs, we are also investigating certain agents that fall under our APT technology platform for the treatment of viral diseases. This viral therapy approach is based on the fact that enveloped viruses and virally infected cells have phospholipids exposed on their surface and thus can be targeted using our APT agents. Our wholly-owned subsidiary, Avid Bioservices, Inc., (Avid) is engaged in providing contract manufacturing services and development of biologics for biopharmaceutical and biotechnology companies, including Peregrine.

We recently received approval from the U.S. Food and Drug Administration (FDA) to initiate patient enrollment in our Tarvacin™ Phase I study for the treatment of cancer. Tarvacin™ is part of our APT platform, which binds directly to tumor blood vessels to inhibit tumor growth and development. We expect to initiate patient enrollment in the approved Phase I study in the near term.

Our most clinically advanced therapeutic program is known as Tumor Necrosis Therapy (TNT) and targets dead or dying tumor cells that are common to the majority of different tumor types. We are developing a radioactive TNT agent that we have trademarked Cotara® for the treatment of cancer. We are working with the New Approaches to Brain Tumor Therapy (NABTT) Consortium to initiate the first part of the FDA approved product registration trial using Cotara® to treat patients with brain cancer.

Results of Operations

The following table compares the condensed consolidated statements of operations for the three and nine month periods ended January 31, 2005 and January 31, 2004. This table provides you with an overview of the changes in the condensed consolidated statements of operations for the comparative periods, with changes further discussed below.

	Three Months Ended January 31,			Nine Months Ended January 31,		
	2005	2004	$ Change	2005	2004	$ Change
		(in thousands)			*(in thousands)*	
REVENUES:						
Contract manufacturing revenue	$ 1,334	$ 211	$ 1,123	$ 3,983	$ 1,403	$ 2,580
License revenue	19	18	1	57	56	1
Total revenues	1,353	229	1,124	4,040	1,459	2,581
COST AND EXPENSES:						
Cost of contract manufacturing	1,273	223	1,050	3,265	1,207	2,058
Research and development	2,548	2,723	(175)	8,122	6,570	1,552
Selling, general & administrative	1,338	1,096	242	3,642	3,224	418
Total cost and expenses	5,159	4,042	1,117	15,029	11,001	4,028
LOSS FROM OPERATIONS	(3,806)	(3,813)	7	(10,989)	(9,542)	(1,447)
OTHER INCOME (EXPENSE):						
Interest and other income	65	70	(5)	197	219	(22)
Interest and other expense	(3)	(394)	391	(3)	(1,840)	1,837
NET LOSS	$ (3,744)	$ (4,137)	$ 393	$ (10,795)	$ (11,163)	$ 368

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

Total Revenues.

Three and Nine Months: The increase in total revenues of $1,124,000 and $2,581,000 during the three and nine months ended January 31, 2005, respectively, compared to the same periods in the prior year was primarily due to an increase in contract manufacturing revenue. The increase in contract manufacturing revenue of $1,123,000 and $2,580,000 during the three and nine month periods ended January 31, 2005, respectively, are primarily due to an increase in the number of completed manufacturing runs associated with unrelated entities during the current year three and nine month periods compared to the same periods in the prior year.

We expect to continue to generate contract manufacturing revenue during the remainder of the current fiscal year based on the anticipated completion of in-process projects and the anticipated demand for Avid's services under outstanding proposals. In addition, we recently increased Avid's production capacity with the addition of a 1,000 liter bioreactor, which we anticipate will be available for manufacturing products under current good manufacturing practice (cGMP) during the fourth quarter of our current fiscal year. Although Avid is presently working on active projects and has submitted various project proposals with various potential customers, we cannot estimate nor can we determine the likelihood that we will be successful in completing these ongoing projects or converting any of these project proposals into definitive agreements during the remainder of fiscal year 2005.

Cost of Contract Manufacturing.

Three and Nine Months: The increase in cost of contract manufacturing of $1,050,000 and $2,058,000 during the three and nine months ended January 31, 2005, respectively, compared to the same periods in the prior year, is primarily related to the current three and nine month increases in contract manufacturing revenue.

Research and Development Expenses.

Three Months: The decrease in research and development expenses of $175,000 during the three months ended January 31, 2005 compared to the same period in the prior year was primarily due to decreases in expenses associated with the following platform technologies under development: (i) APT (Tarvacin™) program expenses decreased $512,000, (ii) VTA and Anti-Angiogensis program expenses decreased $101,000, (iii) VEA program expenses decreased $284,000, and (iii) LYM (Oncolym) program expenses decreased $157,000. These decreases were offset by a current quarter increase in TNT (Cotara®) program expenses of $879,000.

APT (Tarvacin™) – The decrease in APT (Tarvacin™) program expenses of $512,000 is primarily due to a decrease in pre-clinical toxicology study expenses incurred in the same prior year period to support the Investigational New Drug Application that was filed with the U.S. Food & Drug Administration in September 2004. This was combined with a decrease in antibody development and access fees associated with the timing of various payments due under our licensing agreements to support Tarvacin™ and other related antibodies under development. These decreases in APT (Tarvacin™) expenses were offset primarily by increases in payroll and related expenses combined with an increase in allocated manufacturing expenses to support the Phase I clinical study using Tarvacin™ and other related antibodies under development.

VTA and Anti-Angiogenesis – The decrease in VTA and Anti-Angiogenesis program expenses of $101,000 is primarily due to a decrease in intellectual property access fees and antibody development fees, offset with an increase in payroll and related fees to support our increase in active VTA and Anti-Angiogenesis research programs.

VEA- The decrease in VEA program expenses of $284,000 is primarily due to a decrease in sponsored research fees paid to University of Southern California combined with a decrease in allocated manufacturing expenses. In January 2005, we entered into an agreement with Merck KGaA of Darmstadt, Germany, that will give us access to Merck's technology and expertise in protein expression to advance the development of our VEA technology and other platform technologies.

LYM (Oncolym) - The decrease in LYM (Oncolym) expenses of $157,000 is primarily due to allocated expenses incurred in the prior year quarter to manufacture LYM materials for research purposes only.

TNT (Cotara®) – The increase in TNT (Cotara®) program expenses of $879,000 is primarily due to an increase in manufacturing expenses and payroll and related expenses to support the planned initiation of the Cotara® registration trial for the treatment of brain cancer in collaboration with the New Approaches to Brain Tumor Therapy consortium.

Nine Months: The increase in research and development expenses of $1,552,000 during the nine months ended January 31, 2005 compared to the same period in the prior year was primarily due to an increase in APT (Tarvacin™) program expenses of $1,700,000 combined with an increase in TNT (Cotara®) program expenses of $408,000. These increases in program expenses were offset by decreases in VTA and Anti-Angiogenesis program expenses of $162,000, a decrease in VEA program expenses of $198,000, and a decrease in LYM (Oncolym) program expenses of $196,000.

APT (Tarvacin™) – The increase in APT (Tarvacin™) program expenses of $1,700,000 is primarily related to an increase in pre-clinical toxicology study expenses, clinical consulting fees, and payroll and related expenses to support the Investigational New Drug Application that was filed with the U.S. Food & Drug Administration in September 2004 combined with an increase in manufacturing related expenses to support the toxicology studies and Phase I clinical trial. In addition, intellectual property access fees increased as we expanded our intellectual property coverage under the APT technology platform.

TNT (Cotara®) – The increase in TNT (Cotara®) program expenses of $408,000 is primarily due to an increase in payroll and related expenses and technology access fees. The current nine month period increase in payroll and related expenses is primarily due to an increase in clinical operations to support our planned Cotara® registration trial and an increase in research and development programs associated with TNT. The increase in technology access fees is primarily due to an up-front license fee to obtain certain worldwide non-exclusive rights used in the manufacturing process for the Cotara® antibody.

VTA and Anti-Angiogenesis – The decrease in VTA and Anti-Angiogenesis program expenses of $162,000 is primarily due to a decrease in intellectual property access fees and antibody development fees, offset with an increase in payroll and related fees to support our increase in active VTA and Anti-Angiogenesis research programs.

VEA- The decrease in VEA program expenses of $198,000 is primarily due to a decrease in sponsored research fees paid to University of Southern California combined with a decrease in allocated manufacturing expenses and stock-based compensation expenses pertaining to non-employee consultants. This was off-set by an increase in antibody development fees. In January 2005, we entered into an agreement with Merck KGaA of Darmstadt, Germany, that will give us access to Merck's technology and expertise in protein expression to advance the development of our VEA technology and other platform technologies.

LYM (Oncolym) - The decrease in LYM (Oncolym) expenses of $196,000 is primarily due to expenses incurred in the same prior year period to manufacture LYM materials for research purposes only.

We expect research and development expenses to increase over the near term primarily under the following ongoing research and development programs:

1. Tarvacin™ pre-clinical and clinical programs for the treatment of cancer;
2. The initiation of the first part of the FDA-approved product registration trial using Cotara® to treat patients with recurrent glioblastoma multiforme (brain cancer) in collaboration with the New Approaches to Brain Tumor Therapy (NABTT) consortium;
3. Possible future Cotara® clinical programs in other solid tumor indications;
4. Anti-Phospholipid Therapy (APT) research and development for the potential treatment of viral diseases;
5. Pre-clinical research and development of the anti-angiogenesis program using our 2C3 antibody;
6. Vascular Targeting Agent research and development program; and
7. Vasopermeation Enhancement Agent research and development program.

Due to the number of ongoing research programs, if we fail to obtain additional funding during fiscal year 2005, we may be forced to scale back our product development efforts or our operations in a manner that will ensure we can pay our obligations as they come due in the ordinary course of business.

The following represents the research and development expenses ("R&D Expenses") we have incurred by each major platform technology under development:

Platform Technology under Development	*R&D Expenses- Quarter Ended January 31, 2004*	*R&D Expenses- Quarter Ended January 31, 2005*	*R&D Expenses- May 1, 1998 to January 31, 2005*
TNT (Cotara®)	$ 333,000	$ 1,212,000	$ 27,969,000
APT (Tarvacin™)	1,181,000	670,000	6,292,000
VTA and Anti-Angiogenesis	689,000	588,000	10,225,000
VEA	362,000	78,000	5,287,000
LYM (Oncolym)	158,000	-	13,447,000
Total R&D Expenses	$ 2,723,000	$ 2,548,000	$ 63,220,000

From inception to April 30, 1998, we expensed $20,898,000 on research and development of our product candidates, with the costs primarily being closely split between the TNT and LYM (Oncolym) technologies. In addition to the above costs, we expensed an aggregate of $32,004,000 for the acquisition of our TNT and VTA technologies, which were acquired during fiscal years 1995 and 1997, respectively.

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

- The uncertainty of our capital resources to fund research, development and clinical studies beyond the current fiscal year;
- The uncertainty of future costs associated with our pre-clinical candidates, Anti-Phospholipid Therapy, Vasopermeation Enhancement Agents, and Vascular Targeting Agents, which costs are dependent on the success of pre-clinical development. We are uncertain whether or not these product candidates will be successful and we are uncertain whether or not we will incur any additional costs beyond pre-clinical development;
- The uncertainty of future clinical trial results;
- The uncertainty of the number of patients to be treated in any clinical trial;
- The uncertainty of the Food and Drug Administration and/or other regulatory agencies allowing our studies to move into and 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 competing clinical trials;
- The uncertainty of alternative available products;
- 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, and we or our potential partners may not be able to obtain all necessary governmental clearances and approvals to market our products.

Selling, General and Administrative Expenses.

Selling, general and administrative expenses consist primarily of payroll and related expenses, director fees, legal and accounting fees, public relation fees, insurance, and other expenses relating to our general management, finance, administrative, and business development activities of the Company.

Three Months: The increase in selling, general and administrative expenses of $242,000 during the three months ended January 31, 2005 compared to the same period in the prior year is primarily due to an increase in (i) accounting fees of $162,000 primarily related to implementation of Section 404 of the Sarbanes-Oxley Act of 2002, (ii) legal fees of $159,000 primarily pertaining to the lawsuits described in Item 1, Legal Proceedings and other patent and corporate matters, (iii) public relation fees of $47,000 primarily due to the addition of a new public relations firm assisting the Company with its public relations activities, and (iv) facility and related expenses of $31,000 primarily related to an increased allocation of lease expense resulting from the termination of a sub-lease arrangement. These increases for the three months ended January 31, 2005 were offset by a net decrease in payroll and related expenses of $89,000 primarily related to decreased consulting fees associated with the possible sale of Avid, and a decrease in stock-based compensation expense of $92,000 related to business development activities incurred in the prior year period.

Nine Months: The increase in selling, general and administrative expenses of $418,000 during the nine months ended January 31, 2005 compared to the same period in the prior year is primarily due to an increase in (i) accounting fees of $186,000 primarily related to implementation of Section 404 of the Sarbanes-Oxley Act of 2002, (ii) legal fees of $268,000 primarily pertaining to the lawsuits described in Item 1, Legal Proceedings and other patent and corporate matters, (iii) public relation fees of $91,000 primarily due to the addition of a new public relations firm assisting the Company with its public relations activities, and (iv) facility and related expenses of $90,000 primarily related to an increased allocation of lease expense resulting from the termination of a sub-lease arrangement. These increases for the nine months ended January 31, 2005 were offset by a $201,000 decrease in director fees primarily due to a one-time aggregate director fee of $180,000 incurred during the prior year quarter ended July 31, 2003 associated with our director's increased oversight responsibilities mandated by the Sarbanes-Oxley Act of 2002. Prior to fiscal year 2004, directors did not receive any cash compensation other than the reimbursement of expenses.

Interest and Other Expense.

Three and Nine Months: The decrease in interest and other expense of $391,000 and $1,837,000 during the three and nine months ended January 31, 2005, respectively, compared to the same periods in the prior year was primarily due to a three and nine month decrease in non-cash interest expense of $390,000 and $1,811,000, respectively, associated with the amortization of the convertible debt discount and debt issuance costs. We did not incur any interest expense associated with convertible debt discount and debt issuance costs during the three and nine months ended January 31, 2005, as all outstanding convertible debt was converted into common stock and the associated discount and issuance costs were fully amortized in the prior year periods.

Critical Accounting Policies

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

Revenue Recognition. We 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 Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, as well as the recently issued Staff Accounting Bulletin No. 104, *Revenue Recognition*. These bulletins draw on existing accounting rules and provide specific guidance on how those accounting rules should be applied. 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.

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. Milestone payments are generally recognized as revenue upon completion of the milestone assuming there are no other continuing obligations. Nonrefundable up-front license fees, whereby we have an ongoing involvement or performance obligation, are generally recorded as deferred revenue and generally recognized as revenue over the term of the performance obligation or relevant agreement. 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. A considerable amount of judgment is required in assessing the estimate for contract losses based on historical experience and other factors that appear reasonable under the circumstances.

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 record the cost of the amounts billed as cost of sales as we act as a principal in these transactions.

Allowance for Doubtful Receivables. We continually monitor our allowance 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 factors that appear reasonable under the circumstances.

Liquidity and Capital Resources

As of January 31, 2005, we had $10,439,000 in cash and cash equivalents on hand. We have expended substantial funds on the development of our product candidates and we have incurred negative cash flows from operations for the majority of our years since inception. Since inception, we have generally financed our operations primarily through the sale of our common stock and issuance of convertible debt, which has been supplemented with payments received from various licensing collaborations and through the revenues generated by Avid. We expect negative cash flows from operations to continue until we are able to generate sufficient revenue from the contract manufacturing services provided by Avid and/or from the sale and/or licensing of our products under development.

Revenues earned by Avid during the nine months ended January 31, 2005 and 2004 amounted to $3,983,000 and $1,403,000, respectively. We expect that Avid will continue to generate revenues which should lower consolidated cash flows used in operations, although we expect those near term revenues will be insufficient to fully cover anticipated cash flows used in operations. In addition, revenues from the sale and/or licensing of our products under development are always uncertain. Therefore, we expect we will continue to need to raise additional capital to continue the development of our product candidates, including the anticipated development and clinical trial costs of Tarvacin™ and Cotara®, the anticipated research and development costs associated with Anti-Phospholipid Therapy (“APT”), Vasopermeation Enhancement Agents (“VEA’s”) and Vascular Targeting Agents (“VTA’s”), and the potential expansion of our manufacturing capabilities.

We plan to raise additional capital primarily through the registered offer and sale of shares of our common stock from our current shelf registration statements on Form S-3, File No. 333-109982 and File No. 333-121450, under which as of March 4, 2005, we had approximately 15,003,000 shares available for possible future transactions, or through private placements. However, given uncertain market conditions and the volatility of our stock price and trading volume, we may not be able to sell our securities at prices and on terms that are favorable to us, if at all. We currently believe we have sufficient cash on hand to meet our obligations on a timely basis through the second quarter of our fiscal year ending April 30, 2006.

In addition to equity financing, we are actively exploring various other sources of funding, including possible debt financing and by utilizing our many assets, including our intellectual property portfolio and the operations of Avid. Our broad intellectual property portfolio allows us to develop products internally while at the same time we are able to out-license certain areas of the technology which would not interfere with our internal product development efforts. We also have the facilities of Avid that we may leverage in a strategic transaction if the right opportunity and financial terms are presented to us, provided that the manufacturing needs of our customers and Peregrine are not jeopardized.

There can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all (from either debt, equity or the licensing, partnering or sale of technology assets and/or the sale of all or a portion of Avid), or that sufficient additional revenues will be generated from Avid or under potential licensing agreements to complete the research, development, and clinical testing of our product candidates.

Significant components of the changes in cash flows from operating, investing, and financing activities for the nine months ended January 31, 2005 compared to the same prior year period are as follows:

Cash Used In Operating Activities. Cash used in operating activities is primarily driven by changes in our net loss. However, cash used in operating activities generally differs from our reported net loss as a result of non-cash operating expenses or differences in the timing of cash flows as reflected in the changes in operating assets and liabilities. During the nine months ended January 31, 2005, cash used in operating activities increased $634,000 to $9,500,000 compared to $8,866,000 for the nine months ended January 31, 2004. The increase in cash used in operating activities was primarily related to an increase of $1,441,000 in net cash used in operating activities after deducting non-cash operating expenses and before considering the changes in operating assets and liabilities. This increase was primarily due to an increase in research and development expenses primarily associated with Tarvacin™ combined with an increase in general and administrative expenses primarily related to the implementation of Section 404 of the Sarbanes-Oxley Act of 2002. This current nine month period increase of $1,441,000 as described above was partially offset by the timing of cash flows as reflected in the changes in operating assets and liabilities in the amount of $807,000.

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:

	NINE MONTHS ENDED	
	January 31, 2005	**January 31, 2004**
Net loss, as reported	$ (10,795,000)	$ (11,163,000)
Less non-cash operating expenses:		
Depreciation and amortization	235,000	277,000
Stock-based compensation	134,000	262,000
Stock issued for services	336,000	164,000
Amortization of discount on convertible debt and debt issuance costs	-	1,811,000
Net cash used in operating activities before changes in operating assets and liabilities	$ (10,090,000)	$ (8,649,000)
Net change in operating assets and liabilities	$ 590,000	$ (217,000)
Net cash used in operating activities	$ (9,500,000)	$ (8,866,000)

Cash Used In Investing Activities. Net cash used in investing activities increased $565,000 to $1,034,000 for the nine months ended January 31, 2005 compared to $469,000 for the nine months ended January 31, 2004. This increase was primarily due to the purchase of laboratory equipment to support the expanded research efforts of Peregrine and the expanded services of Avid combined with an increase in other assets related to security deposits paid to GE Capital Corporation on notes payable and installment payments made on a 1,000-liter bioreactor.

Cash Provided By Financing Activities. Net cash provided by financing activities decreased $15,849,000 to $6,089,000 for the nine months ended January 31, 2005 compared to net cash provided of $21,938,000 for the nine months ended January 31, 2004. The decrease in financing activities during the current nine month period is primarily due to a lower amount of capital raised during the current period from the sale of common stock compared to the same period in the prior year. This was partially offset by an increase in proceeds received from notes payable of $733,000 during the current period.

Commitments

At January 31, 2005, we had no material capital commitments, other than the commitments for laboratory equipment in the amount of approximately $106,000. In addition, we have significant obligations under license agreements that are contingent on clinical trial development milestones.

Risk Factors of Our Company

The biotechnology industry includes many risks and challenges. Our challenges may include, but are not limited to: uncertainties associated with completing pre-clinical and clinical trials for our technologies; the significant costs to develop our products as all of our products are currently in development, pre-clinical studies or clinical trials and no revenue has been generated from commercial product sales; obtaining additional financing to support our operations and the development of our products; obtaining regulatory approval for our technologies; complying with governmental regulations applicable to our business; obtaining the raw materials necessary in the development of such compounds; consummating collaborative arrangements with corporate partners for product development; achieving milestones under collaborative arrangements with corporate partners; developing the capacity to manufacture, market, and sell our products, either directly or indirectly with collaborative partners; developing market demand for and acceptance of such products; competing effectively with other pharmaceutical and biotechnological products; attracting and retaining key personnel; protecting proprietary rights; accurately forecasting operating and capital expenditures, other capital commitments, or clinical trial costs, and general economic conditions. A more detailed discussion regarding our industry and business risk factors can be found in our Annual Report on Form 10-K for the year ended April 30, 2004, as filed with the Securities and Exchange Commission on July 14, 2004.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in United States interest rates would affect the interest earned on our cash and cash equivalents. Based on our overall interest rate exposure at January 31, 2005, a near-term change in interest rates, based on historical movements, would not materially affect the fair value of interest rate sensitive instruments. Our debt instruments have fixed interest rates and terms and, therefore, a significant change in interest rates would not have a material adverse effect on our financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of January 31, 2005, the end of the period covered by this Quarterly Report. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective at the reasonable assurance level as of January 31, 2005.

There have been no changes in the Company’s internal control over financial reporting, during the quarter ended January 31, 2005, that has materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On December 16, 2004, we filed a lawsuit against the University of Southern California ("USC") and Alan Epstein, M.D. The lawsuit was filed in the Superior Court of the State of California for the County of Los Angeles, Central District. The lawsuit alleges that USC has breached various agreements with the Company by (i) failing to protect the Company's patent rights in Japan with respect to certain technology exclusively licensed from USC due to non-payment of annuities (ii) failing to provide accounting documentation for research expenditures and (iii) misusing certain antibodies the Company provided to USC and Dr. Epstein for research. The claims against Dr. Epstein, who was a scientific advisor and consultant to the Company, involve breach of contract for misusing certain antibodies and breach of fiduciary duties. The Company is seeking unspecified damages, declaratory relief with respect to its rights under the option and license agreement pursuant to which it acquired the rights to the technology, and an accounting of research expenditures.

On September 30, 2004, we filed a lawsuit against Knobbe, Martens, Olson & Bear, LLP and Joseph Reisman, of the law firm Knobbe, Martens, Olson & Bear, LLP, in San Diego Superior Court. The lawsuit alleges that Knobbe, Martens and Joseph Reisman owed us a duty to use such skill, care, prudence and diligence as other members of the legal profession and negligently failed to protect our rights in a patent in Japan. We are seeking unspecified damages.

In addition, we are currently investigating whether certain technologies discovered and developed at USC and subsequently licensed to a private company, Pivotal BioSciences, Inc., an entity we believe is partially owned by the principal investigator and others at USC, were developed using resources under our sponsored research agreement with USC and/or funding provided from another source for which we have geographic technology rights. We are in active discussions with Pivotal BioSciences, Inc. to resolve the matter in an amicable manner. The current investigation does not affect our current rights to our technologies under development nor should it have any effect, regardless of the outcome of the investigation, on the development of any of our existing technologies.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS. None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. None.

ITEM 5. OTHER INFORMATION. None.

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K.

(a) Exhibits:

10.97 Common Stock Purchase Agreement dated January 31, 2005 between Registrant and one institutional investor.

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

(b) Reports on Form 8-K:

(i) Current report on Form 8-K as filed with the Commission on December 10, 2004 reporting the Company's financial results for the quarter ended October 31, 2004.

SIGNATURES

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

PEREGRINE PHARMACEUTICALS, INC.

By: /s/ STEVEN W. KING

Steven W. King
President & Chief Executive Officer

/s/ PAUL J. LYTLE

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

EXHIBIT 10.97

PEREGRINE PHARMACEUTICALS, INC.

COMMON STOCK
PURCHASE AGREEMENT

UP TO 5,000,000 SHARES OF
COMMON STOCK

JANUARY 31, 2005

COMMON STOCK PURCHASE AGREEMENT

This Common Stock Purchase Agreement (this "Agreement") is made and entered into as of January 31, 2005, by and between Peregrine Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Melton Management, Ltd. (the "Investor").

RECITALS

WHEREAS, the Company has filed with the Securities and Exchange Commission ("SEC") a Shelf Registration Statement on Form S-3 No. 333-109982, which was declared effective by the SEC on November 10, 2003 (the "Form S-3").

WHEREAS, pursuant to the Form S-3, the Company may offer to the public from time to time up to 12,000,000 shares of common stock, par value $0.001 per share (the "Common Stock").

WHEREAS, the Company desires to sell and issue to the Investor under the Form S-3 up to an aggregate of Five Million (5,000,000) shares of Common Stock, all in the manner described below.

NOW, THEREFORE, in consideration of the covenants, agreements and considerations herein contained, the Company and Investor agree as follows:

1. PURCHASE AND SALE OF SHARES

1.1 PUT OF SHARES. Subject to the terms and conditions hereof, for a period of twelve (12) months commencing on the date hereof, the Company shall have the right to put (each a "Put") to the Investor, by way of one or more Puts, up to an aggregate of Five Million (5,000,000) shares (the "Put Limit") of Common Stock (the "Shares"), by delivering to the Investor a written notice (the "Put Notice") by 6:30 p.m. Eastern Time specifying the number of Shares to be put and sold to the Investor on such date, and the per share purchase price. The form of Put Notice is attached hereto as Exhibit I. The date that the Put Notice is delivered is referred to as the "Put Date.

1.2 PURCHASE PRICE. As full consideration for the sale of the Shares to Investor in connection with each Put, the Investor shall deliver to the Company within three (3) business days after receipt of the Put Notice (the "Put Closing Date"), the purchase price for such Shares by wire transfer of immediately available funds to such account as the Company shall designate. Unless otherwise agreed in writing under Exhibit II, the per share purchase price applicable for each Put shall be equal to the Company's trailing three (3) day Volume Weighted Average Price, as determined by Bloomberg, ending on the trading day prior to the Put Date (the "Market Price") less the applicable Discount determined as follows:

MARKET PRICE RANGE	DISCOUNT
Up to $3.00 per share	15%
$3.01 to $4.00 per share	14%
$4.01 to $5.00 per share	13%
$5.01 to $6.00	12%
$6.01 to $7.00	11%
Above $7.01	10%

Within three (3) business days following the Put Closing Date, the Company shall deliver to the Investor or its designee the shares via DWAC or a stock certificate representing the Shares purchased in the Put. The Shares shall be delivered free of restrictive legends and stop transfer instructions.

1.3 PUT LIMITATIONS. Unless the parties agree by mutually signing the Put Notice, the Company may not deliver a Put Notice for a number of shares in excess of fifteen percent (15%) of the aggregate trading volume for the three (3) consecutive trading days prior to the Put Date.

1.4 TERMINATION OF PUT RIGHT. The Company's right to deliver a Put Notice pursuant to this Agreement shall terminate on the first to occur of (i) the date that is twelve (12) months from the date hereof, and (ii) the Investor having acquired pursuant to Puts a number of Shares equal to the Put Limit. Notwithstanding the termination of the Put Right pursuant to clause (i), the Investor shall be obligated to complete any Put delivered on or before such date.

2. TERMINATION

This Agreement may be terminated by either party, upon written notice having immediate effect, if the other party (i) defaults in any material respect in the performance of any of its obligations or any of its representations or warranties under this Agreement or otherwise commits any material breach of this Agreement and such default is not cured within ten (10) days after written notice specifying in reasonable detail the nature of such default. The Company may terminate this Agreement immediately upon written notice to the Investor.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth below, the Company makes no representations or warranties of any nature or kind.

3.1 ORGANIZATION, STANDING AND POWER. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has the corporate power to own its properties and to carry on its business as now being conducted and is duly qualified to do business and is in good standing in each jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, assets or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole.

3.2 CAPITALIZATION. The authorized capital stock of the Company consists of 200,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share, of which, as of January 28, 2005, there were approximately 148,931,000 shares of common stock and nil shares of preferred stock, issued and outstanding. The Company is not a party to any voting trust agreements or understandings with respect to the voting common stock of the Company. There are no preemptive or similar rights to purchase or otherwise acquire shares of capital stock of the Company pursuant to any provision of law, the Certificate of Incorporation, the bylaws of the Company or any agreement to which the Company is a party.

3.3 AUTHORIZATION.

3.3.1 The Company has full legal right, power and capacity to enter into, execute, deliver and perform this Agreement and all attendant documents and instruments contemplated hereby.

3.3.2 This Agreement has been duly executed and delivered and constitutes the legal, valid and binding obligation of the Company and is enforceable with respect to the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, priority or other laws or court decisions relating to or affecting generally the enforcement of creditors' rights or affecting generally the availability of equitable remedies.

3.3.3 The execution and delivery of this Agreement by the Company, and the consummation of the transactions contemplated hereby by the Company in accordance with the terms hereof shall not conflict with or result in a breach of, violation of, or default under (or constitute an event that with notice, lapse of time, or both, would constitute a breach or default under), or result in the termination of, or accelerate the performance required by, or result in the creation of any liens or other encumbrances upon any of the properties or assets of the Company under any of the terms, conditions or provisions of the Certificate of Incorporation or Bylaws, any provision of the laws of the State of California or the State of Delaware, or any note, bond, mortgage, indenture, deed of trust, license, lease, credit agreement or other agreement, document, instrument or obligation to which the Company is a party or by which any of its assets or properties are bound.

3.3.4 Neither the execution and delivery of this Agreement by the Company, nor the consummation of the transactions, contemplated hereunder by the Company will violate or conflict with any judgment, order, decree, statute, rule or regulation applicable to the Company or its assets or properties.

3.4 VALID ISSUANCE OF COMMON STOCK.

3.4.1 The Shares being purchased by the Investor hereunder, when issued, sold and delivered in accordance with the terms hereof or thereof, for the consideration expressed herein or therein, will be duly and validly issued, fully paid and nonassessble and will be issued in compliance with all applicable federal and state securities laws.

3.4.2 The outstanding shares of Common Stock are all duly and validly authorized and issued, fully paid and nonassessable, and were issued in compliance with all applicable federal and state securities laws.

3.4.3 The Company has full power, right and authority to transfer, convey and sell to the Investors on the Closing Date the Shares and upon consummation of the transactions contemplated by this Agreement, each Investor will have acquired good and marketable title to the Shares purchased by such Investor, free and clear of claims, liens, restrictions on transfer or voting or encumbrances.

3.4.4 The Company has taken the requisite action to cause the Shares to be listed on the Nasdaq SmallCap Market, and has filed all applications under NASD Rule 2710, if required.

3.5 LITIGATION. Except as referred to in the SEC Documents, as defined below, the Form S-3, or as disclosed in Schedule 3.5, there are no claims, suits, actions or proceedings pending or, to the knowledge of the Company, threatened against, relating to or affecting the Company or any of its subsidiaries, before any court, governmental department, commission, agency, instrumentality or authority, or any arbitrator that would reasonably be expected, either alone or in the aggregate with all such claims, actions or proceedings, to have a material adverse effect on the Company's business or financial condition or the transactions contemplated hereunder. Except as referred to in the Company's SEC Documents, neither the Company nor any of its subsidiaries is subject to any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or authority, or any arbitrator which prohibits or restricts the consummation of the transactions contemplated hereby or would have a material adverse effect on the Company's business or financial condition or the transactions contemplated hereunder.

3.6 SEC DOCUMENTS; THE COMPANY'S FINANCIAL STATEMENTS. The Company is a reporting company under the Securities Exchange Act of 1934 (the "Exchange Act"), and files annual and periodic reports (the "SEC Documents") with the Securities and Exchange Commission (the "SEC"). As of their respective filing dates, the SEC Documents complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended, applicable to the Company and to the knowledge of the Company none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except to the extent corrected by a subsequently filed document with the SEC. The SEC

Documents contain an audited consolidated balance sheet of the Company as of the end of the last completed fiscal year (the "Balance Sheet") and the related audited consolidated statements of income and cash flow for the year then ended (collectively, the "Financials"). The Financials have been prepared in accordance with GAAP applied on a basis consistent through the periods indicated and consistent with each other. The Financials present fairly the consolidated financial condition and operating results and cash flows of the Company and its subsidiaries as of the dates and during the periods indicated therein. Since the date of the Balance Sheet and until the date of this Agreement, there has not occurred any material adverse change in the business, assets or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole, which has not been reflected in the SEC Documents.

3.7 FORM S-3. The Company has delivered to each Investor a copy of the Form S-3. The Company represents and warrants that the Form S-3 has been declared effective by the SEC and is not subject to any stop order. The Company is not aware of any event, fact or circumstance, which would cause the Form S-3 to contain a material misstatement or require the filing of an amendment thereto. The Company at the time of the initial filing of the Form S-3 met the SEC's eligibility requirements for use of a Form S-3 in connection with a primary offering. The Company agrees to timely file (i) a Form 8-K disclosing the sales pursuant to this Agreement, if and when required, (ii) all periodic reports required to be filed under the Exchange Act in order to keep the S-3 in effect, and (iii) any amendments, if necessary, and deliver to the Investor a copy of any such amendment.

3.8 DISCLOSURE. Neither this Agreement, nor any of the schedules, attachments, or certificates attached to this Agreement or delivered by the Company on the Closing Date, contains any untrue statements of material fact or omits a material fact necessary to make the statements contained herein or therein not misleading. There is no fact which the Company has not disclosed to the Investor, orally or in writing, and of which any of the Company's directors or officers are aware, which could reasonably be anticipated to have a material adverse effect, upon the financial condition, operating results or assets, of the Company. Notwithstanding the foregoing, certain information provided by the Company to the Investor contained statements that are forward-looking, which are covered by the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future, and accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company.

3.9 NO CONSENTS. The execution, delivery and performance by the Company of this Agreement and the offer, issuance and sale of the Shares require no consent of, action by or in respect of, or filing with, any individual or entity, governmental body, agency, or official other than filings that have been made pursuant to applicable state securities laws and post-sale filings pursuant to applicable state and federal securities laws which the Company undertakes to file within the applicable time periods.

3.10 REGULATORY COMPLIANCE. The Company is not in violation of any applicable law, regulation, judgment, order or consent decree (of any governmental or non-governmental regulatory or self-regulatory agency or any organized exchange, including without limitation, the SEC, any state or local securities or insurance regulatory body, or the Internal Revenue Service), which violation is likely to have a material adverse effect on the Company's business, financial condition, or this transaction.

3.11 REGULATORY PROCEEDINGS, INVESTIGATIONS AND INQUIRIES. The Company has not been the subject of any material regulatory proceeding, examination, investigation or inquiry (known to the Company), including any pending or threatened regulatory proceeding, investigation or inquiry (known to the Company) (including without limitation any by governmental or non-governmental regulatory or self-regulatory agency or any organized exchange) relating to the Company.

3.12 REGISTRATION STATEMENT. The Company's Registration Statement on Form S-3 (the "Registration Statement") was declared effective by the SEC on November 10, 2003. The Registration Statement is effective on the date hereof and the Company has not received notice that the SEC has issued or intends to issue a stop order with respect to such Registration Statement or that the SEC otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, or intends or has threatened in writing to do so. The Registration Statement (including the information or documents incorporated by reference therein), as of the time it was declared effective, and any amendments or supplements thereto, each as of the time of filing, did not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. With respect to each completed Put, the Company hereby agrees to file with the SEC, as required, within two business days, either an amendment or a prospectus supplement in accordance with Rule 424(b)(2) of the Securities Act. The issuance of the Shares to the Investor is registered by the Registration Statement and, when issued to the Investor, the Shares shall be freely tradeable by the Investor.

3.13 COMPLIANCE WITH NASDAQ CONTINUED LISTING REQUIREMENTS. The Company is in compliance with applicable Nasdaq SmallCap Market continued listing requirements. There are no proceedings pending or, to the Company's knowledge, threatened against the Company relating to the continued listing of the Common Stock on the Nasdaq SmallCap Market and the Company has not received any currently effective notice of, nor to the Company's knowledge is there any basis for, the delisting of the Common Stock from the Nasdaq SmallCap Market.

4. REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor hereby represents and warrants to the Company the following:

4.1 AUTHORITY. Investor has full legal right, power and capacity to enter into, execute, deliver and perform this Agreement and all attendant documents and instruments contemplated hereby. This Agreement has been duly executed and delivered and constitutes the legal, valid and binding obligation of Investor and is enforceable with respect to Investor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, priority or other laws or court decisions relating to or affecting generally the enforcement of creditors' rights or affecting generally the availability of equitable remedies.

4.2 NO VIOLATION OF AGREEMENTS. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereunder by Investor will violate or conflict with any judgment, order, decree, statute, rule or regulation applicable to Investor or its assets or properties.

4.3 DISCLOSURE OF INFORMATION. Subject in part to the truth and accuracy of the representations and warranties of the Company, the Investor believes that it has received all the information that it considers necessary or appropriate for deciding whether to purchase the Shares. The Investor further represents that it has had an opportunity to review the SEC Documents and the Form S-3, and had sufficient opportunity to ask questions and receive answers from the Company and its directors and officers regarding the terms and conditions of the offering of the Shares and the business and operations of the Company. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of the Investor to rely thereon.

5. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY

The obligations of the Company to consummate each Put contemplated by this Agreement shall be subject to the satisfaction of each of the conditions set forth below, any or all of which may be waived by the Company in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by the Company of any other condition or of any of the Company's rights or remedies, at law or in equity, if the Investor shall be in default or breach of any of its representations, warranties or agreements under this Agreement:

5.1 PURCHASE PRICE. Investor shall deliver the applicable Put purchase price on the date specified in Section 1.2.

5.2 ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Investor contained in this Agreement shall be accurate and complete on and as of each Put Closing Date with the same effect as though such representations and warranties had been made on or as of such date.

5.3 PERFORMANCE OF AGREEMENTS. Each and all of the conditions precedent and agreements of the Investor subject to satisfaction on or before the Put Closing Date pursuant to the terms of this Agreement shall have been performed or satisfied.

6. CONDITIONS PRECEDENT TO OBLIGATIONS OF INVESTOR

The obligations of the Investor to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the conditions set forth below, any or all of which may be waived by each Investor in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by such Investor of any other condition or of any of the Investor's rights or remedies, at law or in equity, if the Company shall be in default or breach of any of its representations, warranties or agreements under this Agreement:

6.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company contained in this Agreement shall be accurate and complete on and as of the Put with the same effect as though such representations and warranties had been made on or as of such date.

6.2 PERFORMANCE OF AGREEMENTS. Each and all of the conditions precedent and agreements of the Company subject to satisfaction on or before the Put Closing Date pursuant to the terms of this Agreement shall have been performed or satisfied.

6.3 NO ADVERSE EVENTS. Between the date hereof and the Put Closing Date, neither the business, assets or condition, financial or otherwise, of the Company taken as a whole shall have been materially adversely affected in any manner.

6.4 NO DELINQUENT SHARES. The Company shall not then be delinquent its obligation to deliver Shares in accordance with Section 1.2 with respect to prior Puts.

7. INDEMNIFICATION

7.1 To the extent permitted by law, the Company will indemnify and hold harmless, the Investor, the directors and officers, if any, of the Investor, and each person, if any, who controls the Investor within the meaning of the Securities Act or the Exchange Act (each, an "Indemnified Person"), against any losses, claims, damages, liabilities or expenses (joint or several) incurred (collectively, "Claims") to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Claims (or actions or proceedings, whether commenced in respect thereof) arise out of or are based upon: (i) any untrue statement or untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof or the omission or omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or untrue statement of a material fact contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or omission to state therein any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements therein were made, not misleading or (iii) any violation or violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation under the Securities Act, the Exchange Act or any state securities law (the matters in the foregoing clauses (i) through (iii) being collectively referred to as "Violations"). The Company shall reimburse the Investor, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 7 shall not (i) apply to any Claims arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such

amendment thereof or supplement thereto, (ii) be available to the extent such Claim is based on a failure of the Investor to deliver or cause to be delivered the prospectus made available by the Company; or (iii) apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. The Investor will indemnify the Company, its officers, directors and agents (including legal counsel) (each an "Indemnified Person") against any claims arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company, by or on behalf of the Investor, expressly for use in connection with the preparation of the Registration Statement, subject to such limitations and conditions set forth in this Section 7. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person or Indemnified Party, and shall survive the sale of the Shares by the Subscriber.

7.2 Promptly after receipt by an Indemnified Person under this Section of notice of the commencement of any action (including any governmental action), such Indemnified Person shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person, as the case may be; PROVIDED, HOWEVER, that an Indemnified Person shall have the right to retain its own counsel with the reasonable fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person under this Section except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnification required by this Section shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

7.3 To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 7 to the fullest extent permitted by law.

8. MISCELLANEOUS

8.1 EXPENSES, COMMISSIONS AND TAXES. Each party shall bear and pay its own expenses, including legal, accounting and other professional fees, and taxes incurred in connection with the transactions referred to in this Agreement. The party responsible under applicable law shall bear and pay in their entirety all other taxes and registration and transfer fees, if any, payable by reason of the sale and conveyance of the Shares.

8.2 ENTIRE AGREEMENT; MODIFICATIONS; WAIVER. This Agreement, together with the related agreements or certificates referenced herein, constitutes the final, exclusive and complete understanding of the parties with respect to the subject matter hereof and supersedes any and all prior understandings and discussions with respect thereto. No variation or modification of this Agreement and no waiver of any provision or condition hereof, or granting of any consent contemplated hereby, shall be valid unless in writing and signed by the party against whom enforcement of any such variation, modification, waiver or consent is sought.

8.3 FURTHER ASSURANCES. The parties hereto shall use their best efforts, and shall cooperate with one another, to secure all necessary consents, approvals, authorizations, exemptions and waivers from third parties as shall be required in order to consummate the transactions contemplated hereby, and shall otherwise use their best efforts to cause such transactions to be consummated in accordance with the terms and conditions hereof. At any time or from time to time after the Closing Date, each party hereto, shall execute and deliver any further instruments or documents and take all such further action as such requesting party may reasonably request in order to consummate and document the transactions contemplated hereby.

8.4 CAPTIONS. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the constructing or interpretation of any provision of this Agreement.

8.5 SECTION REFERENCES. Unless otherwise noted, all section references herein are to sections of this Agreement.

8.6 COUNTERPARTS. This Agreement may be executed in any number of counterparts, including electronically transmitted counterparts, each of which when so executed shall constitute an original copy hereof, but all of which together shall constitute one agreement.

8.7 SUCCESSORS AND ASSIGNS. Neither party shall have the right to assign this Agreement.

8.8 PARTIES IN INTEREST. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over against any party to this Agreement.

8.9 NOTICES. All notices, requests, demands and other communications hereunder ("Notices") shall be in writing and shall be deemed to have been duly given if delivered by hand or by registered or certified mail or upon fax notice with confirmation of receipt, as follows:

If to Investor: Melton Management, Ltd.
Jerusalem, Israel
Attention: Mr. Breitkope
Fax: 011-972-2-652-1063

with copies to: Wall & Broad Equities
Mr. Howard Bash
Fax: (718) 972-6803

If to the Company: Peregrine Pharmaceutical, Inc.
14272 Franklin Avenue, Suite 100
Tustin, California 92780
Attn.: Steve King
Fax: (714) 838-5817

with copy to: Snell & Wilmer LLP
Mr. Mark Ziebell
Fax: (949) 955-2507

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt. All Notices shall be deemed received on the date of delivery or, if mailed, on the date appearing on the return receipt therefor.

8.10 LAW GOVERNING. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California, without regard to its choice-of-laws or conflicts-of-law rules.

8.11 SURVIVAL. The representations and warranties contained in this Agreement shall survive the Closing Date indefinitely.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of date first above written.

"The Company"
Peregrine Pharmaceuticals, Inc.,
a Delaware corporation

By: /S/ PAUL LYTLE

Name: PAUL LYTLE

Title: CFO

"Investor"
Melton Management, Ltd.

By: /s/ Y. BREITKOPE

Name: Y. BREITKOPE

Title: DIRECTOR

EXHIBIT I

PUT NOTICE

PEREGRINE PHARMACEUTICALS, INC. (the "Company") pursuant to the terms of the Common Stock Purchase Agreement dated January 31, 2005 (the "Purchase Agreement") hereby intends, subject to the Put Limit (as defined in the Purchase Agreement), to elect to exercise a Put to sell the number of shares of Common Stock of the Company specified below at a price per share specified below, to Melton Management, Ltd., the Investor, as of the Put Closing Date written below.

Date of Put Notice: _____

Intended Put Date: _____

Intended Put Share Amount: _____

Per Share Purchase Price: _____

Aggregate Purchase Price: _____

The undersigned executive officer of the Company, hereby certifies that the representations and warranties in the Purchase Agreement are true and correct in all material respects as of the date hereof.

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED BY "INVESTOR"
- ----------

"Investor"
Melton Management, Ltd.

By:_____ Date: _____

Name: _____ Title: _____

EXHIBIT II

PUT NOTICE

PEREGRINE PHARMACEUTICALS, INC. (the "Company") pursuant to the terms of the Common Stock Purchase Agreement dated January 31, 2005 (the "Purchase Agreement") hereby intends, subject to the Put Limit (as defined in the Purchase Agreement), to elect to exercise a Put to sell the number of shares of Common Stock of the Company specified below at a price per share specified below, to Melton Management, Ltd., the Investor, as of the Put Closing Date written below.

Date of Put Notice: _____

Intended Put Date: _____

Intended Put Share Amount: _____

Per Share Purchase Price (1): _____

Aggregate Purchase Price: _____

(1) The above purchase price differs from that Price otherwise determinable pursuant to Section 1.2. By signing below, each party agrees to the revise purchase price.

The undersigned executive officer of the Company, hereby certifies that the representations and warranties in the Purchase Agreement are true and correct in all material respects as of the date hereof.

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED BY "INVESTOR"
- ----------

"Investor"
Melton Management, Ltd.

By:_____ Date: _____

Name: _____ Title: _____

Exhibit 31.1

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

I, Steven W. King, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peregrine Pharmaceuticals, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) 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 quarterly report is being prepared;

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

c) disclosed in this quarterly 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: March 10, 2005

Signed: /s/ STEVEN W. KING

Steven W. King
President and Chief Executive Officer

Exhibit 31.2

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

I, Paul J. Lytle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peregrine Pharmaceuticals, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) 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 quarterly report is being prepared;

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

c) disclosed in this quarterly 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: March 10, 2005

Signed: /s/ PAUL J. LYTLE

Paul J. Lytle
Chief Financial Officer

Exhibit 32

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

Each of the undersigned hereby certifies, in his capacity as an officer of Peregrine Pharmaceuticals, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Quarterly Report of the Company on Form 10-Q for the period ended January 31, 2005 fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: March 10, 2005

/s/ STEVEN W. KING

Steven W. King
President and Chief Executive Officer

/s/ PAUL J. LYTLE

Paul J. Lytle
Chief Financial Officer

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.